OFFERING MEMORANDUM

The Dominican Republic

OFFER TO EXCHANGE

9.50% AMORTIZING BONDS DUE 2011 FOR ALL OUTSTANDING 9.50% BONDS DUE 2006
CUSIP Nos. 25714PAA6 and P3579EAA5
ISIN Nos. US25714PAA66 and USP3579EAA57

AND

9.04% AMORTIZING BONDS DUE 2018 FOR ALL OUTSTANDING 9.04% BONDS DUE 2013
CUSIP Nos. 25714PAC2 and P3579EAB3
ISIN Nos. US25714PAC23 and USP3579EAB31

AND

SOLICITATION OF CONSENTS TO AMENDMENTS OF OUTSTANDING BONDS AND FISCAL AGENCY AGREEMENTS

The Republic is offering to exchange newly issued 9.50% amortizing bonds due 2011 (the "New 2011 Bonds") for all of its outstanding 9.50% bonds due 2006 (the "2006 Bonds") and newly issued 9.04% amortizing bonds due 2018 (the "New 2018 Bonds") for all of its outstanding 9.04% bonds due 2013 (the "2013 Bonds"). The 2006 Bonds and the 2013 Bonds are together referred to in this offering memorandum as the "Existing Bonds" and the New 2011 Bonds and the New 2018 Bonds are together referred to as the "Exchange Bonds."

The aggregate principal amount of all Existing Bonds outstanding as of the date of this offering memorandum is US$1,100 million.

The Exchange Bonds will be issued pursuant to an indenture that contains collective action clauses with provisions regarding future modifications to the terms of the Exchange Bonds that differ from those applicable to the Existing Bonds. Under these provisions, modifications to reserve matters specified in the indenture, including modifications to payment and other key terms, may be made to either series of Exchange Bonds with the consent of the holders of at least 75% of the aggregate principal amount outstanding of that series, and to both series of Exchange Bonds with the consent of the holders of at least 85% of the aggregate principal amount outstanding of both series of Exchange Bonds and at least 66-2/3% in aggregate principal amount outstanding of each series of Exchange Bonds.

Application has been made to list the Exchange Bonds on the Luxembourg Stock Exchange. The Exchange Bonds offered are expected to be designated as eligible for trading in the Private Offerings, Resales and Trading through Automated Linkages (PORTAL) Market of the National Association of Securities Dealers, Inc.

This offering memorandum and the related specimen of letter of transmittal attached as Annex A hereto are referred to as the "Offer Materials." The transactions contemplated by the Offer Materials are referred to as the "Offer."

The Offer will expire at 4:15 P.M. (New York City time) on May 4, 2005, unless extended or earlier terminated. In this offering memorandum, that date, as so extended, is referred to as the "Expiration Date." Holders of Existing Bonds must tender their Existing Bonds on or prior to the Expiration Date in order to be eligible to participate in the Offer.

The Republic's offer to exchange Exchange Bonds for Existing Bonds is conditioned on receipt by the Expiration Date of tenders of at least 85% in aggregate principal amount of all Existing Bonds, taking into account both series of Existing Bonds, provided that at least a majority of the aggregate principal amount of each series of Existing Bonds tenders Existing Bonds pursuant to the Offer. This minimum tender condition may be waived by the Republic in its sole discretion.

In conjunction with the Offer, the Republic is soliciting consents from holders of Existing Bonds to amend certain terms of the Existing Bonds. See "Terms of the Offer—Exit Consent Amendments to Existing Bonds and Fiscal Agency Agreements" for further information regarding these proposed amendments.

An investment in the Exchange Bonds involves a high degree of risk. You should carefully consider the "Risk Factors" beginning on page 15 of this offering memorandum before you make a decision to tender your Existing Bonds and complete and deliver the letter of transmittal.

The Exchange Bonds have not been registered under the U.S. Securities Act of 1933 or the securities laws of any other jurisdiction. The Exchange Bonds will be offered only to qualified institutional buyers in the United States under Rule 144A of the U.S. Securities Act of 1933 and to persons outside the United States under Regulation S of the Securities Act.

The Republic is not, and the dealer managers are not, making the Offer in any jurisdiction where and to the extent the Offer is not permitted.

The dealer managers for the Offer are:

MORGAN STANLEY **UBS INVESTMENT BANK**

April 20, 2005

You should rely only on the information contained in this offering memorandum. The Republic has not authorized anyone to provide you with different information. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

TABLE OF CONTENTS

This document may only be used where it is legal to conduct the Offer and to offer and sell the Exchange Bonds. The information in this offering memorandum may only be accurate as of the date of this offering memorandum.

The Republic is furnishing the Offer Materials to you solely for use in the context of the Offer. After having made all reasonable inquiries, the Republic confirms that:

- the information contained in this offering memorandum is true and correct in all material respects and is not misleading as of the date of this offering memorandum;

- changes may occur in the Republic's affairs after the date of this offering memorandum;

- certain statistical, economic, financial and other information included in this offering memorandum reflects the most recent reliable data readily available to the Republic as of the date hereof;

- the Republic holds the opinion and intentions expressed in this offering memorandum;

- the Republic has not omitted other facts the omission of which makes this offering memorandum, as a whole, misleading; and

- the Republic accepts responsibility for the information it has provided in this offering memorandum.

The dealer managers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the dealer managers as to the past or future. The Republic has furnished the information contained in this offering memorandum. The dealer managers have not independently verified any of the information contained herein and assume no responsibility for the accuracy or completeness of any such information.

Neither the U.S. Securities and Exchange Commission, any state securities commission nor any other U.S. regulatory authority has approved or disapproved the Exchange Bonds, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

In making an investment decision, you must rely on your own examination of the Republic and the terms of the offering, including the merits and risks involved. You should not construe anything in this offering memorandum, as legal, business or tax advice. You should consult your own advisors as needed to make your investment decision and as to whether you are legally permitted to acquire the Exchange Bonds in the Offer under applicable legal investment or similar laws or regulations.

This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the dealer managers and may also be obtained at the office of the Luxembourg Listing Agent.

None of the Republic, Morgan Stanley or UBS Investment Bank, as the dealer managers, the information agent and the exchange agent has expressed any opinion as to whether the terms of the Offer are fair. None of the Republic, the dealer managers or the exchange agent makes any recommendation that you tender your Existing Bonds for exchange or refrain from doing so pursuant to the Offer, and no one has been authorized by the Republic, the dealer managers or the exchange agent to make any such recommendation. You must make your own decision as to whether to tender you Existing Bonds in exchange for Exchange Bonds or refrain from doing so, and, if you do tender your Existing Bonds, the principal amount of Existing Bonds to tender.

LEGAL RESTRICTIONS

The distribution of Offer Materials and the transactions contemplated by the Offer may be restricted by law in certain jurisdictions. If Offer Materials come into your possession, you are required by the Republic to inform yourself of and to observe all of these restrictions. The Offer Materials do not constitute, and may not be used in connection with, an offer or solicitation in any jurisdiction where such offers or solicitations are not permitted by law. If a jurisdiction requires that the Offer be made by a licensed broker or dealer and the dealer manager or any affiliate of the dealer manager is a licensed broker or dealer in that jurisdiction, the Offer will be deemed to be made in that jurisdiction by such dealer manager or such affiliate on behalf of the Republic. For more information, see "Jurisdictional Restrictions" in this offering memorandum.

FOR NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

ENFORCEMENT OF CIVIL LIABILITIES

The Republic is a sovereign state. Consequently, it may be difficult for investors to obtain or realize in the United States or elsewhere upon judgments against the Republic. To the fullest extent permitted by applicable law, the Republic will irrevocably submit to the non-exclusive jurisdiction of any New York state or U.S. federal court sitting in The City of New York, Borough of Manhattan, and any appellate court thereof, in any suit, action or proceeding arising out of or relating to the bonds or the Republic's failure or alleged failure to perform any obligations under the bonds, and the Republic will irrevocably agree that all claims in respect of any such suit, action or proceeding may be heard and determined in such New York state or U.S. federal court. The Republic will irrevocably waive, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of any suit, action or proceeding and any objection to any proceeding whether on the grounds of venue, residence or domicile. To the extent that the Republic has or hereafter may acquire any sovereign or other immunity from jurisdiction of such courts with respect to any suit, action or proceeding arising out of or relating to the bonds or the Republic's failure or alleged failure to perform any obligations under the bonds (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise), the Republic has, to the fullest extent permitted under applicable law, including the U.S. Foreign Sovereign Immunities Act of 1976, irrevocably waived such immunity in respect of any such suit, action or proceeding; provided, however, that under the U.S. Foreign Sovereign Immunities Act of 1976, it may not be possible to enforce in the Republic a judgment based on such a U.S. judgment, and that under the laws of the Republic, the property and revenues of the Republic are exempt from attachment or other form of execution before or after judgment. See "Description of Exchange Bonds—Governing Law" and "—Submission to Jurisdiction."

Notwithstanding the preceding paragraph, the Republic has not consented to service or waived sovereign immunity with respect to actions brought against it under the U.S. federal securities laws or any state securities laws. In the absence of a waiver of immunity by the Republic with respect to such actions, it would not be possible to obtain a judgment in such an action brought in a U.S. court against the Republic unless such court were to determine that the Republic is not entitled under the U.S. Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such action. Further, even if a U.S. judgment could be obtained in any such action under the U.S. Foreign Sovereign Immunities Act of 1976, it may not be possible to enforce in the Republic a judgment based on such a U.S. judgment. Execution upon property of the Republic located in the United States to enforce a U.S. judgment may not be possible except under the limited circumstances specified in the U.S. Foreign Sovereign Immunities Act of 1976.

DEFINED TERMS AND CONVENTIONS

Certain Defined Terms

All references in this offering memorandum to the "Republic" are to the issuer, and all references to the "Government" are to the central government of the Dominican Republic and its authorized representatives.

The terms set forth below have the following meanings for the purposes of this offering memorandum:

- Gross domestic product ("GDP") is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effects of inflation. In this offering memorandum, real GDP figures are based on constant 1970 prices, the year used by *Banco Central de la República Dominicana* (the Dominican Central Bank, which we refer to in this offering memorandum as the "Central Bank") for purposes of maintaining real GDP statistics. GDP growth rates and growth rates included in this offering memorandum for the various sectors of the Dominican economy are based on real figures.

- For balance of payments purposes, imports and exports are calculated based upon statistics reported to the Republic's customs agency upon entry and departure of goods into the Dominican Republic on a free-on-board basis ("FOB basis") at a given point of departure.

- The inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. The Republic measures the inflation rate by the percentage change between two periods in the consumer price index ("CPI"), unless otherwise specified. The CPI is based on a basket of goods and services identified by the Central Bank that reflects the pattern of consumption of Dominican households. The price for each good and service that makes up the basket is weighted according to its relative importance in order to calculate the CPI. The annual percentage change in the CPI is calculated by comparing the index as of a specific December against the index for the immediately preceding December. The annual average percentage change in the CPI is calculated by comparing the average index for a twelve-month period, against the average index for the immediately preceding twelve-month period. The Republic does not compile statistics to calculate a producer price index or a wholesale price index, which are other indices often used to measure inflation.

Currency of Presentation and Exchange Rate

Unless we specify otherwise, references to "U.S. dollars," "dollars" and "US$" are to United States dollars, and references to "pesos" and "DOP" are to Dominican pesos. Unless otherwise indicated, we have converted pesos into dollars and dollars or any other currency into pesos for each year at the weighted average exchange rate for such year, as used by the International Monetary Fund ("IMF") in calculating the Republic's GDP in U.S. dollars, using information published in the Central Bank Monthly Bulletin. This weighted average exchange rate is based on both the Central Bank and private-market foreign exchange rates. We have done all currency conversions, including conversions of pesos to U.S. dollars, for the convenience of the reader only and you should not construe these conversions as a representation that the amounts in question have been, could have been or could be converted into any particular denomination, at any particular rate or at all.

At September 30, 2004, the DOP/U.S. dollar exchange rate for the sale of dollars, as reported by the Central Bank, was DOP37.62 per US$1.00. At December 31, 2004, the Central Bank exchange rate was DOP29.33 per US$1.00. At March 31, 2005, the Central Bank exchange rate was DOP28.50 per US$1.00. The Central Bank exchange rate is used for transactions involving the Central Bank and the Government, particularly in connection with external debt payments and disbursements of external loans. At September 30, 2004, the private-market DOP/U.S. dollar exchange rate for the sale of dollars was DOP37.32 per US$1.00. On March 31, 2005, the private-market DOP/U.S. dollar exchange rate for the sale of dollars was DOP28.02 per US$1.00. See "The Monetary System—Foreign Exchange and International Reserves—Foreign Exchange."

Presentation of Financial and Economic Information

The Republic has presented all annual information in this offering memorandum based upon January 1 to December 31 periods, unless otherwise indicated. Totals in some tables in this offering memorandum may differ from the sum of the individual items in those tables due to rounding.

The Government currently is in the process of compiling financial, economic and other statistical information for full year 2004. As a result, this offering memorandum does not include comprehensive financial, economic and other statistical information for 2004. However, this offering memorandum includes, to the extent available, selected information for interim periods in 2004. Statistics and information for interim periods in 2004 may not be indicative of the results for the full year 2004.

The Central Bank conducts a review process of the Republic's official financial and economic statistics. Accordingly, certain financial and economic information presented in this offering memorandum may be subsequently adjusted or revised. In particular, certain information and data contained in this offering memorandum for 1999, 2000, 2001, 2002, 2003 and 2004 and for the first quarter of 2005 are preliminary and subject to review and possible adjustments by the Central Bank to ensure their accuracy. The Government believes that this review process is substantially similar to the practices of industrialized nations. The Government does not expect revisions of the data contained in this offering memorandum to be material, although it cannot assure you that it will not make material changes.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Forward-looking statements are statements that are not historical facts, including statements about the Republic's beliefs and expectations. These statements are based on current plans, estimates and projections, and, accordingly, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made. The Republic undertakes no obligation to update any of these statements in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. The Republic cannot assure you that actual events or results will not differ materially from any forward-looking statements contained in this offering memorandum. In particular, a number of important factors could cause actual results to differ materially from the Republic's expectations. Such factors include, but are not limited to:

- a failure by the Government to implement fully its debt-restructuring program, which could result in the suspension of the current stand-by arrangement with the IMF, the rescission of the bilateral debt relief that has been conditionally granted by the Paris Club, a group of bilateral creditors, and an unwillingness of the Paris Club to grant debt relief to the Republic for 2005 and future years;

- adverse external factors, such as:

    - changes in the international prices of commodities and/or international interest rates, which could increase the Republic's current account deficit and budgetary expenditures;

    - changes in import tariffs and exchange rates, recession or low economic growth affecting the Republic's trading partners, all of which could lower the growth or the level of exports of the Dominican Republic, reduce the growth or the level of income from tourism of the Dominican

Republic, reduce the growth rate or induce a contraction of the Dominican economy and, indirectly, reduce tax revenues and other public sector revenues, adversely affecting the Republic's fiscal accounts;

  - Ø increased costs of crude oil resulting from political or social instability or armed conflict in oil-producing states, such as Venezuela and countries in the Middle East;
  - Ø a decline in foreign direct investment, which could adversely affect the Republic's balance of payments, the stability of the exchange rate and the level of the Central Bank's international reserves; and
  - Ø a decrease in remittances from Dominicans residing and working abroad;

- adverse domestic factors, such as lower than expected fiscal revenues, which could induce higher domestic interest rates and an appreciation of the real exchange rate. These factors could lead to lower economic growth, a decline in exports and income from tourism and a decrease in the Central Bank's international reserves; and
- other adverse factors, such as climatic or political events.

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum. It is not complete and may not contain all of the information that you should consider before tendering Existing Bonds in exchange for Exchange Bonds. You should carefully read the entire offering memorandum, including "Risk Factors."

Selected Economic Information

(in millions of US$, except as otherwise indicated)

						For the nine months ended September 30,	
	1999	**2000**	**2001**	**2002**	**2003**	**2003**[1]	**2004**[1]
Domestic economy							
GDP (at current prices)	17,393	19,815	21,680	21,715	16,626	10,983	10,780
GDP (in millions of DOP, at current prices)	278,630	324,562	366,232	402,432	503,300	306,251	488,676
Real GDP (in millions of DOP, at constant 1970 prices)	6,167	6,668	6,910	7,217	7,082	4,988	5,057
Real GDP growth rate[2]	8.1	8.1	3.6	4.4	(1.9)	(2.2)	1.4
Consumer price index (annual rate of change)	5.1	9.0	4.4	10.5	42.7	26.5	31.1[13]
Unemployment rate (annual average)[3]	13.8	13.9	15.6	16.1	17.0	17.0[14]	n.a.
Open unemployment rate (annual average)[4]	5.9	5.8	6.5	5.9	6.5	n.a.	5.1[15]
Balance of payments[5]							
Total current account	(429.2)	(1,026.5)	(740.8)	(797.9)	1,036.2	663.7	1,263.2
Of which:							
Trade balance	(2,904.4)	(3,741.8)	(3,503.0)	(3,672.7)	(2,156.0)	(1,705.7)	(1,385.5)
Income from tourism	2,483.3	2,860.2	2,798.3	2,730.4	3,127.8	2,455.2	2,471.4
Workers' remittances	1,518.7	1,689.0	1,807.9	1,959.6	2,060.5	1,492.0	1,588.5
Total capital account	1,072.7	1,596.6	1,703.5	383.1	(16.3)	(107.4)	(789.5)
Of which:							
Foreign direct investment	1,337.8	952.9	1,079.1	916.8	613.0	522.8	463.2
Errors and omissions[6]	(480.5)	(618.1)	(447.8)	(139.9)	(1,566.3)	(897.2)	(275.2)
Overall balance of payments, excluding impact of gold valuation adjustment[7]	163.0	(48.0)	515.0	(554.7)	(546.5)	(341.0)	198.5
Change in Central Bank gross international reserves (period end)	(193.7)	69.5	(518.5)	526.5	358.0	314.4	(307.7)
Central Bank net international reserves (period end)	547.0	441.9	962.2	376.0	123.6	97.3	372.9
Public sector balance							
Central government revenue[8]	2,758.6	3,155.8	3,568.5	3,616.3	2,687.0	1,882.2	2,108.9
As a % of GDP	15.9	15.9	16.5	16.7	16.2	17.1	19.6
Central government expenditure[9]	3,319.5	3,198.9	3,565.2	4,056.3	2,984.2	1,949.0	2,186.9
As a % of GDP	19.1	16.1	16.4	18.7	17.9	17.7	20.3
Central government balance	495.8	758.8	929.1	1,027.2	719.9	566.9	637.3
As a % of GDP	2.9	3.8	4.3	4.7	4.3	5.2	5.9
Overall non-financial public sector balance[10]	(560.9)	(417.1)	(254.4)	(499.9)	(750.9)	(362.9)	(465.7)
As a % of GDP	(3.2)	(2.1)	(1.2)	(2.3)	(4.5)	(3.3)	(4.3)
Public sector debt							
Public sector external debt[11]	3,660.2	3,679.4	4,176.1	4,536.4	5,987.0	n.a.	6,481.0
As a % of GDP	21.0	18.6	19.3	20.9	36.0	n.a.	34.2
Public sector domestic debt	459.1	465.0	602.7	511.0	611.7	n.a.	911.9[12]
As a % of GDP	2.6	2.3	2.8	2.4	3.7	n.a.	4.9
Total public sector debt	4,119.3	4,144.4	4,778.8	5,047.4	6,958.7	n.a.	n.a.
As a % of GDP	23.7	20.9	22.0	23.2	39.7	n.a.	n.a.
Public sector external debt service:							
Amortizations	662.0	886.0	836.8	667.4	862.0	n.a.	307.4
Interest payments	169.5	226.3	206.7	215.3	263.4	n.a.	225.1
Total external debt service	831.4	1,112.4	1,043.6	882.7	1,125.4	n.a.	532.5
As a % of exports of goods and services	10.4	12.5	12.5	10.8	12.8	n.a.	7.7

(1) Preliminary data.
(2) Percentage change from previous year.
(3) Refers to population at or above the legal working age that is not employed and is willing to work (even if not actively seeking work), as a percentage of the total labor force.
(4) Refers to population at or above the legal working age that is not employed and is actively seeking work, as a percentage of the total labor force.
(5) Revised data for 2003.

(footnotes continued on next page)

(6) Represents errors and omissions in compiling balance of payment accounts based on double-entry accounting resulting from incomplete or overlapping coverage, different prices and incomplete times of recording and conversion practices.
(7) As presented in the above table, gold reserves have been valued at their corresponding market prices as of December 31 of each year.
(8) Includes total revenue and foreign cash or in-kind transfers to support public sector expenditures.
(9) Includes unidentified expenditures that consist of non-cash items, such as food, clothing and other items received by the Government as aid. Also includes expenditures made in periods different from the current period and that were not currently registered.
(10) The non-financial public sector includes the central government and non-financial public sector institutions (such as state-owned enterprises and other decentralized government-owned institutions).
(11) External debt is defined as all public sector foreign-currency denominated debt, independent of the holder's nationality.
(12) As of December 31, 2004. Data exclude intra-governmental debt.
(13) 28.7% for full-year 2004.
(14) As of October 31, 2003.
(15) As of April 30, 2004.
Sources: Central Bank, Ministry of Finance and IMF.
n.a. = Not Available.

Recent Developments

The Economic Crisis

After experiencing steady growth during the 1990s, the Dominican economy suffered severe setbacks and a broad-ranging crisis precipitated by the collapse in May 2003 of *Banco Intercontinental* ("BanInter"), the country's second largest commercial bank in terms of deposits, in May 2003. BanInter was taken over by the *Superintendencia de Bancos* ("Banking Superintendency") in response to accusations of fraud and losses of approximately US$2.5 billion—equivalent to 15.0% of the Republic's GDP in 2002 and approximately two-thirds of the Government's 2003 budget.

With public confidence in the banking system severely eroded, many depositors withdrew their deposits from banks, causing two other private domestic banks, *Banco Nacional de Crédito* ("Bancrédito") and *Banco Mercantil*, to experience liquidity crises and near collapse in mid-2003. The Government responded to the costs of the banking crisis by guaranteeing deposits and honoring interbank liabilities domestically and abroad. In order to cover the costs of this rescue plan, the Central Bank loosened its monetary policy, increasing the money supply as it financed lost deposits.

The broader deterioration of the Dominican economy provoked by the banking crisis included, among others, the following effects:

- a decrease in real GDP, which fell 1.9% in 2003 as compared to 2002;
- a substantial increase in the non-financial public sector deficit, which increased from US$499.9 million (2.3% of GDP) in 2002 to US$750.9 million (4.5% of GDP) in 2003;
- a loss of confidence in the banking sector and the Republic's financial system generally, resulting in capital flight;
- a substantial reduction in the levels of the Central Bank's net international reserves, which fell 67.1% from approximately US$376.0 million at December 31, 2002 to US$123.6 million at December 31, 2003, as the Central Bank defended the peso by selling international reserves and purchasing local currency;
- a sharp depreciation of the peso, which fell from a weighted average in 2001 of DOP16.89 per dollar, to DOP30.27 per dollar in 2003;
- an increase in domestic real interest rates as a result of open-market operations by the Central Bank to curb inflation, leading to a 50% increase in public debt;
- social unrest as economic conditions deteriorated and labor strikes and street demonstrations became prevalent;
- an increase in the unemployment rate from 16.1% in 2002 to 17.0% in 2003; and
- growing poverty, with the percentage of Dominicans living in poverty increasing to 62% in 2003, as compared to 54% in 2000.

The economic crisis has had a negative impact on the Government's fiscal receipts and liquidity, resulting in arrears on public sector external debt owed to multilateral institutions, bilateral creditors, private banks and suppliers. As of September 30, 2004, total arrears, including principal and interest, on public sector external debt amounted to approximately US$332.8 million.

In May 2004, former president Leonel Fernández won the presidency with 57% of the votes cast. Since assuming office in August 2004, the Fernández administration has initiated a series of economic reforms to address the effects of the economic crisis and to prevent their reoccurrence.

During 2004, the performance of the Dominican economy and the Government's public sector finances were adversely affected by the ongoing economic crisis and by the political uncertainty surrounding the presidential election. High oil prices also had a negative effect in 2004. In the fourth quarter of 2004, the Dominican economy showed signs of improvement, as some economic and financial indicators suggested the beginning of a rebound compared to the first three quarters of the year. The Government has adopted policies and targets in line with requirements incorporated in the stand-by credit facility entered into with the IMF in February 2005 ("2005 IMF Stand-By Arrangement"), which the Government believes will enhance the country's economic performance and financial position in 2005. The following are selected preliminary economic and financial results (which are subject to adjustment, revision or reconciliation) of the Dominican economy and the Government as of and for the year ended on December 31, 2004:

- real GDP increased by 1.9%, as compared with 2003;
- the peso depreciated against the dollar by 28.0% in the first six months of 2004 and appreciated by 39.0% in the last six months. At December 31, 2004, the DOP/US$ exchange rate was DOP29.50 per US$1.00;
- the Central Bank's net international reserves totaled US$602.2 million as of December 31, 2004, as compared to US$123.6 million as of December 31, 2003;
- inflation declined to 28.7% in 2004, as compared to 42.7% in 2003. The decrease in inflation during 2004 principally reflected the 39.0% appreciation of the peso during the second half of 2004, which partially offset an increase in the price of gasoline and other petroleum-based products, as well as an increase in the average electricity tariff;
- at December 31, 2004, approximately US$50.0 million of the Government's public sector external debt due to commercial banks was in arrears; and
- the nominal domestic interest rate on deposits of the banking sector was 21.3% at December 31, 2004, as compared to 19.8% at December 31, 2003.

The following are preliminary selected economic and financial results (which are subject to adjustment, revision or reconciliation) of the Dominican economy and the Government at March 31, 2005 and for the first quarter of 2005:

- the peso appreciated against the dollar by 3.5% during the first three months of 2005, and the DOP/US$ exchange rate was DOP28.50 per US$1.00 at March 31, 2005;
- the Central Bank's net international reserves increased to US$968.5 million as of March 31, 2005; and
- inflation was 0.75% for the three months ended March 31, 2005. This decrease in inflation during the first quarter of 2005 principally reflected the appreciation of the peso against the dollar.

Despite these and other indications of economic and financial improvement in the first quarter of 2005, the Dominican economy and the Republic continue to face severe challenges that necessitate the rescheduling and restructuring of the Republic's external and domestic debt, including the Offer to exchange the Exchange Bonds for the Existing Bonds. For example, the Government's projected consolidated public sector deficit for 2005 is approximately US$894 million and its projected financing gap for 2005 is US$327 million. The Republic remains in the midst of an economic crisis, which makes the Offer and other planned debt reschedulings and restructurings essential to an economic recovery for the Dominican Republic and a restoration of the financial health of the Republic.

Agreements with the Paris Club and the IMF

In April 2004, the Republic concluded an agreement with the Paris Club that rescheduled US$193 million of indebtedness owed to Paris Club member countries. The Republic obtained extensions in the maturity of its Paris Club indebtedness that was originally payable during 2004, with a 12-year repayment term and a five-year grace period, and rescheduled approximately US$38 million of arrears owed as of December 31, 2003. The rescheduling reduced the debt owed to Paris Club creditors in 2004 from US$479 million to US$293 million. As a condition to the Paris Club rescheduling, the agreement required that the Republic seek comparable treatment from non-Paris Club bilateral and private creditors.

In February 2005, the IMF approved the new two-year 2005 IMF Stand-by Arrangement providing for loans of up to approximately US$665.2 million. The IMF's approval was based on the Fernández administration's commitment to macroeconomic stabilization and structural reforms in the fiscal, monetary, financial and electricity sectors. The Government's economic plan agreed to with the IMF contemplates a restructuring of external public sector debt to achieve cash flow relief in the Republic's debt service obligations in 2005 and 2006 and to close estimated financing gaps of US$327 million in 2005 and US$637 million in 2006.

External Debt Restructuring

In order to comply with the Paris Club's condition that the Republic obtain comparable treatment from its other creditors, and to achieve a sustainable debt profile while emerging from the economic crisis, the Government has committed to implement the following package of debt restructuring in 2005:

- the Offer to exchange the outstanding Existing Bonds for the Exchange Bonds;
- a rescheduling of its commercial loans that have payments due in 2005 and 2006; and
- a restructuring of the Republic's debt owed to suppliers, including its outstanding principal balance of US$336 million relating to its purchase agreement with Unión Fenosa, under which the Government repurchased the electricity companies Ede Norte and Ede Sur in 2003.

The implementation of this restructuring package is essential to the Government's ability to meet its debt service obligations on its external indebtedness. In addition to meeting the Paris Club's requirement of comparability of treatment, the debt relief sought by the Republic through its 2005 restructuring package is built into the fiscal and technical targets agreed with the IMF, and the fulfillment of these targets is a condition of the future availability of funds under the 2005 IMF Stand-By Arrangement. The failure by the Government to fully implement its debt-restructuring package could result in the suspension of the 2005 IMF Stand-By Arrangement, the rescission of the bilateral debt relief that has been conditionally granted by Paris Club members and an unwillingness of the Paris Club to grant debt relief to the Republic for 2005 and future years. Under such circumstances, the Dominican Republic would, in all likelihood, not have sufficient resources to be able to continue regular payments on its external indebtedness, including payments coming due in 2005.

Ratings Action

On February 1, 2005, Standard & Poor's Rating Service ("S&P") downgraded our foreign currency debt rating from "CC" to "SD" (Selective Default). This rating action was taken after we announced at that time that we were in arrears on our external debt due to foreign banks and suppliers.

The Offer

The Offer....................................... The Republic is inviting holders of Existing Bonds to tender their Existing Bonds in exchange for newly issued Exchange Bonds on the terms and subject to the conditions set forth in this offering memorandum and the related letter of transmittal in the form attached to this offering memorandum.

The Offer will expire at 4:15 P.M. (New York City time) on May 4, 2005, unless the Republic, in its sole discretion, extends or terminates the Offer earlier. The date on which the Offer expires, as such date may be extended, is referred to in this offering memorandum as the "Expiration Date."

The Republic will announce the results of the Offer on the second trading day in New York City following the Expiration Date or as soon as possible thereafter.

Principal Amount of Existing Bonds Outstanding .... The total aggregate principal amount of Existing Bonds outstanding as of the date of this offering memorandum is US$1,100 million.

The aggregate principal amount of the 2006 Bonds outstanding as of the date of this offering memorandum is US$500 million.

The aggregate principal amount of the 2013 Bonds outstanding as of the date of this offering memorandum is US$600 million.

The CUSIP numbers for the 2006 Bonds are 25714PAA6 (Rule 144A) and P3579EAA5 (Regulation S), and the ISIN numbers for the 2006 Bonds are US25714PAA66 (Rule 144A) and USP3579EAA57 (Regulation S).

The CUSIP numbers for the 2013 Bonds are 25714PAC2 (Rule 144A) and P3579EAB3 (Regulation S), and the ISIN numbers for the 2013 Bonds are US25714PAC23 (Rule 144A) and USP3579EAB31 (Regulation S).

Consideration to be Received Pursuant to Tenders .... Subject to the terms and conditions set forth in this offering memorandum, if the Offer is completed you will receive for any principal amount of each Existing Bond validly tendered pursuant to the Offer, a principal amount of Exchange Bonds corresponding to that Existing Bond, as set forth for each Existing Bond in this offering memorandum under "Terms of the Offer—Consideration to be Received Pursuant to Tenders."

For each US$1,000 principal amount of 2006 Bonds validly tendered and accepted, you will receive US$1,000 principal amount of New 2011 Bonds.

For each US$1,000 principal amount of 2013 Bonds validly tendered and accepted, you will receive US$1,000 principal amount of New 2018 Bonds.

Treatment of Accrued Interest on Existing Bonds .... If you tender 2006 Bonds in the Offer, you will not receive any payment in respect of accrued but unpaid interest on tendered 2006 Bonds in the Offer. However, the New 2011 Bonds will accrue interest from March 27, 2005.

If you tender 2013 Bonds in the Offer, you will not receive any payment in respect of accrued but unpaid interest on tendered 2013 Bonds in the Offer. However, the New 2018 Bonds will accrue interest from January 23, 2005.

See "Terms of the Offer—Consideration to be Received Pursuant to Tenders" and "Description of Exchange Bonds."

Expiration Date.............................. 4:15 P.M. (New York City time) on May 4, 2005, unless extended in the sole discretion of the Republic, in respect of either series of Existing Bonds, in which case the expiration date shall mean, with respect to any such series of Existing Bonds as to which an extension has been made, the latest date and time on which that expiration date has been extended. If any extension is made, the Republic will announce such extension no later than 9:00 A.M., New York City time, on the date after the previously scheduled expiration date.

Extensions; Amendments; Termination .... The Republic expressly reserves the right, in its sole discretion, at any time prior to the Expiration Date, to:

- terminate the Offer;
- waive any condition to the Offer;
- extend the Expiration Date; and
- amend the Offer in any respect.

Minimum Tenders of Existing Bonds... The Republic's offer to exchange Exchange Bonds for Existing Bonds is conditioned on receipt by the Expiration Date of tenders of at least 85% in aggregate principal amount of all Existing Bonds, taking into account both series of Existing Bonds, provided that at least a majority of the aggregate principal amount of each series of Existing Bonds tenders Existing Bonds pursuant to the Offer.

This minimum tender condition is for the sole benefit of the Republic and may be waived by it in its sole discretion.

General Conditions........................ In addition to the minimum tender condition described above, the Offer will be subject to various customary conditions, all of which the Republic may or may not waive. These conditions are described under "Terms of the Offer—Term of Offer, Termination, Amendments and Conditions of the Offer."

Consent to Amendments to Existing Bonds .... For each Existing Bond that you tender pursuant to the Offer, you will be deemed to consent to amendments to the terms of that Existing Bond that will:

- add a proviso to the waiver of sovereign immunity provisions of that Existing Bond providing that such waiver will not constitute, or be deemed to constitute, an explicit or implicit waiver of immunity from attachment prior to judgment, attachment in aid of execution or execution with respect to any amount paid by the Republic under public external indebtedness (whether of principal, interest, redemption or otherwise) issued, or amended as to payment terms, on or after May 11, 2005;

- delete the event of default provision triggered by cross-default and cross-acceleration of other public external debt in that Existing Bond;

- delete the event of default provision triggered by unsatisfied or discharged judgments in that Existing Bond; and

- delete the negative pledge covenant in that Existing Bond.

These amendments will take effect only (1) if consented to by holders of at least a majority in aggregate principal amount of the relevant Existing Bond; and (2) upon completion of the Offer pursuant to the conditions set forth in this offering memorandum (see "Terms of the Offer—Minimum Tenders of Existing Bonds"). For more information about these amendments, see "Terms of the Offer—Exit Consent Amendments to Existing Bonds and Fiscal Agency Agreements."

Tendering Existing Bonds............. The Republic intends to conduct the exchange of Existing Bonds for Exchange Bonds through the use of electronic letters of transmittal (except in the case of holders of Existing Bonds who wish to tender such Existing Bonds and deliver a letter of transmittal through the Luxembourg exchange agent). If you wish to tender any Existing Bonds for Exchange Bonds pursuant to the Offer, you must submit, or arrange to have submitted on your behalf, a letter of transmittal in electronic form applicable to the Existing Bonds tendered by you (except as mentioned above). However, if you are in Luxembourg, you may submit your letter of transmittal by courier or hand delivery to the Luxembourg exchange agent at its address specified on the back cover of this offering memorandum.

You or the custodial entity through which you hold your Existing Bonds must transmit prior to or at 4:15 P.M. (New York City time) on the Expiration Date, a properly completed letter of transmittal.

A description of the procedures for submitting letters of transmittal can be found in "Terms of the Offer—Tender Procedures—Procedures for Submitting Letters of Transmittal" in this offering memorandum.

You may tender your Existing Bonds in the minimum denomination of US$1,000, as set forth in the terms of the Existing Bonds.

Withdrawal Rights........................ Any tender for exchange and the corresponding letter of transmittal may be withdrawn for any reason, at any time prior to 4:15 P.M. (New York City time) on May 4, 2005. The Republic reserves the right, subject to applicable law, to terminate withdrawal rights in the event that it extends

	the Offer beyond May 4, 2005 unless it makes a material change to the terms of the Offer. For more information concerning conditions for withdrawal, see "Terms of the Offer—Tender Procedures—Withdrawal Rights."
Settlement Date	The Exchange Bonds will be issued on the fifth business day following the Expiration Date, or as soon as practicable thereafter.
Tax Considerations	See "Taxation" for important information regarding the possible tax consequences to holders who tender Existing Bonds pursuant to the Offer.
Jurisdictional Restrictions on Offer	The Republic is making the Offer only in jurisdictions where and to the extent it is legal to make the Offer. See "Jurisdictional Restrictions."
	Without limiting the generality of the preceding paragraph, the Offer is being made in the United States solely to holders of Existing Bonds that have previously represented and warranted they are "qualified institutional buyers" (within the meaning of Rule 144A under the U.S. Securities Act of 1933). Holders of Existing Bonds in the United States that fail or are otherwise not able to so represent and warrant will not be eligible to participate in or accept the Offer.
Exchange Agent	The Bank of New York is the exchange agent for the Offer. The Bank of New York (Luxembourg) S.A. is the Luxembourg exchange agent for the Offer. The addresses of the exchange agents are set forth on the back cover page of this offering memorandum.
Information Agent	D.F. King & Co., Inc. is the information agent for the Offer. The address and phone numbers of the information agent are set forth on the back cover page of this offering memorandum.
Dealer Managers	Morgan Stanley & Co. Incorporated and UBS Securities LLC, together with their respective affiliates, are the dealer managers for the Offer. The addresses and telephone numbers of the dealer managers are set forth on the back cover page of this offering memorandum.
Risk Factors	An investment in the Exchange Bonds involves a ***high degree of risk***. Before deciding to tender your Existing Bonds in exchange for Exchange Bonds and completing and delivering the letter of transmittal, you should read carefully all of the information contained in this offering memorandum, including, in particular, "Risk Factors" beginning on page 15 of this offering memorandum.
Further Information	Any questions or requests for assistance concerning the Offer may be directed to either the dealer managers or the information agent at their respective telephone numbers on the back cover page of this offering memorandum.

The Exchange Bonds

The following is a summary of certain terms common to both the New 2011 Bonds and the New 2018 Bonds as well as of certain key terms of the New 2011 Bonds and the New 2018 Bonds. This summary should be read in conjunction with the more detailed description of the Exchange Bonds appearing elsewhere in this offering memorandum.

Common Terms

Issuer	The Dominican Republic.
Indenture	The Exchange Bonds will be issued under an indenture (rather than under a fiscal agency agreement, as was the case for the Existing Bonds).
Ranking	The Exchange Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of the Republic, will rank equally in right of payment with all of the Republic's existing and future unsubordinated and unsecured Public External Debt (as defined) and will be backed by the full faith and credit of the Republic. See "Description of Exchange Bonds—Ranking."
Withholding Tax and Additional Amounts..	The Republic will make all principal and interest payments on the Exchange Bonds without withholding or deducting any Dominican taxes, unless required by law. If Dominican law requires the Republic to withhold or deduct taxes, the Republic will pay bondholders, subject to certain exceptions, the additional amounts necessary to ensure that they receive the same amount as they would have received without any withholding or deduction. See "Description of Exchange Bonds—Additional Amounts" and "Taxation."
Covenants	The Republic will not allow any Lien (other than Permitted Liens) on its assets or revenues as security for any of its Public External Debt, unless the Republic's obligations under the Exchange Bonds are secured equally and ratably with that Public External Debt. See "Description of Exchange Bonds—Negative Pledge Covenant" and "—Defined Terms." The Republic has agreed to comply with several other covenants as described under "Description of Exchange Bonds."
Collective Action Clauses	The Exchange Bonds will be issued pursuant to an indenture that contains collective action clauses with provisions regarding future modifications to the terms of the Exchange Bonds that differ from those applicable to the Existing Bonds. Under those provisions, modifications affecting reserve matters specified in the indenture, including modifications to payment and other key terms, may be made to either series of Exchange Bonds with the consent of the holders of 75% of the aggregate principal amount outstanding of that series, and to both series of Exchange Bonds with the consent of the holders of 85% of the aggregate principal amount outstanding of both series of Exchange Bonds and 66-2/3% in aggregate principal amount outstanding of each series of Exchange Bonds. See "Description of Exchange Bonds—Meetings, Amendments and Waivers."

Further Issues	The Republic may, from time to time, create and issue further bonds having the same terms as and ranking equally with any series of the Exchange Bonds in all respects and such further bonds will be consolidated and form a single series with the appropriate series of the Exchange Bonds.
Governing Law	State of New York.
Form and Settlement	The Republic will issue the Exchange Bonds in the form of one or more fully registered global securities, without interest coupons attached, registered in the name of either a nominee for DTC or a common depositary for Euroclear and Clearstream, as the case may be, and will deposit the global securities on or before the Settlement Date with a custodian for DTC or a common depositary for Euroclear and Clearstream. See "Book-Entry Settlement and Clearance." You may hold a beneficial interest in the global securities through DTC, Euroclear or Clearstream, as applicable, directly as a participant in one of those systems or indirectly through financial institutions that are participants in any of those systems. As an owner of a beneficial interest in the global securities, you will generally not be entitled to have your Exchange Bonds registered in your name, will not be entitled to receive certificates in your name evidencing the Exchange Bonds and will not be considered the holder of any Exchange Bonds under the indenture for the Exchange Bonds.
Denominations	The Republic will issue the Exchange Bonds only in denominations of US$1,000 and in integral multiples of US$1 in excess thereof.
Listing	Application has been made to list the Exchange Bonds on the Luxembourg Stock Exchange. The Exchange Bonds are expected to be designated as eligible for trading on the PORTAL Market of the National Association of Securities Dealers, Inc.
Transfer Restrictions	The Exchange Bonds have not been registered under the U.S. Securities Act of 1933 and will be subject to restrictions on transferability and resale. The Exchange Bonds will be new securities, and there is no established market for such bonds. The Republic and the dealer managers cannot assure you that a liquid market for the Exchange Bonds will develop.
Trustee, Registrar, Transfer Agent and Principal Paying Agent	The Bank of New York
Luxembourg Transfer Agent and Paying Agent	The Bank of New York (Luxembourg) S.A.
Luxembourg Listing Agent	Kredietbank S.A. Luxembourgeoise

Terms of the New 2011 Bonds

Maturity Date .... September 27, 2011.

Principal Amortization .... The Republic will make payments of principal in semi-annual installments on March 27 and September 27 of each year, commencing on March 27, 2007. Each of these principal installments will be in ten equal amounts, with the final principal installment to be made at maturity on September 27, 2011.

Interest Rate .... Interest will accrue from March 27, 2005 on the outstanding principal amount of the New 2011 Bonds at a rate of 9.50% per year.

Interest Payment Dates .... March 27 and September 27 of each year, commencing on September 27, 2005.

Form of Interest Payments .... Interest payments on the New 2011 Bonds will be in cash, except that 100% of the amount of the interest payment otherwise due and payable on September 27, 2005, and 50% of the amount of the interest payments otherwise due and payable on March 27, 2006 and September 27, 2006 will be capitalized and result in an equivalent increase in the principal amount of the New 2011 Bonds outstanding on the relevant interest payment date.

Terms of New 2018 Bonds

Maturity Date .... January 23, 2018.

Principal Amortization .... The Republic will make payments of principal in semi-annual installments on January 23 and July 23 of each year, commencing on July 23, 2013. Each of these principal installments will be in ten equal amounts, with the final principal installment to be made at maturity on January 23, 2018.

Interest Rate .... Interest will accrue from January 23, 2005 on the outstanding principal amount of the New 2018 Bonds at a rate of 9.04% per year.

Interest Payment Dates .... January 23 and July 23 of each year, commencing on July 23, 2005.

Form of Interest Payments .... Interest payments on the New 2018 Bonds will be in cash, except that 100% of the amount of the interest payment otherwise due and payable on July 23, 2005 and 50% of the amount of the interest payments otherwise due and payable on January 23, 2006 and July 23, 2006 will be capitalized and result in an equivalent increase in the principal amount of the New 2018 Bonds outstanding on the relevant interest payment date.

SUMMARY TIME SCHEDULE FOR THE OFFER

The following is a summary of the anticipated time schedule for the Offer assuming, among other things, that the Expiration Date is not extended. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this offering memorandum. All references are to New York City time unless otherwise noted.

Date	**Action**
April 20, 2005	Commencement Date of the Offer: Distribution of the offering memorandum and related letter of transmittal describing the terms of the Offer.
April 20, 2005 to May 4, 2005	Offer Period: The Offer is open during this period.
May 4, 2005 at 4:15 P.M.	Expiration Date and Time: Deadline for holders of Existing Bonds to: • deliver completed letters of transmittal as described in this offering memorandum; and • submit instructions covering tendered Existing Bonds to the applicable clearing system; unless the Republic extends or terminates the Offer earlier, in its sole discretion. After this time, you may no longer submit letters of transmittal. The clearing systems and custodians for the Existing Bonds may in accordance with their normal procedures establish earlier deadlines for the receipt of letters of transmittal from their participants, as described under "Terms of the Offer—Tender Procedures—Procedures for Submitting Letters of Transmittal."
May 9, 2005	Announcement Date: Unless it has extended the Expiration Date or terminated the Offer earlier, the Republic will announce on this date or as soon as practicable thereafter the results of the Offer and whether the requirements for completion of the Offer set forth in this offering memorandum have been met. We believe that trading in the Exchange Bonds on a when-and-if basis issued will commence following the announcement of the results of the Offer.
May 11, 2005	Settlement Date: The Exchange Bonds are issued and the Existing Bonds tendered are submitted for cancellation. The amendments to the Existing Bonds and the related fiscal agency agreements become effective.

RISK FACTORS

An investment in the Exchange Bonds involves a ***high degree of risk****. Before deciding to tender your Existing Bonds in exchange for Exchange Bonds, and completing and delivering the letter of transmittal, you should read carefully all of the information contained in this offering memorandum, including in particular, the following risk factors.*

Risks of Not Participating in the Offer

The Republic, as part of its program to address its current economic crisis, depends on financial assistance granted by the IMF and debt relief from the Paris Club, which depends or is conditioned on completion of the Offer with a high level of participation by holders of Existing Bonds.

The Republic's ability to overcome its current economic crisis requires a restructuring of its external and domestic debt, including the Existing Bonds. The Republic has entered into the 2005 IMF Stand-by Arrangement with the IMF, and received debt relief from the Paris Club, for 2004, and assurances for future debt relief in 2005 and 2006. Financing assurances under the 2005 IMF Stand-by Arrangement may depend on completion of the Offer with a high level of participation. Debt relief from the Paris Club is conditioned on the Republic's reprofiling of its existing private indebtedness, including the Existing Bonds, on terms comparable to those being agreed with Paris Club creditors.

If the Offer is not successful, the Republic may not have access to financing from the IMF and the debt relief agreed with the Paris Club may be rescinded, which would adversely affect the Republic's ability to make current payments on its existing external indebtedness, even during 2005.

The Republic may not be able to, or could decide not to, continue to make payments on Existing Bonds that are not tendered in the Offer.

The Republic wishes to complete successfully the Offer and the rescheduling and restructuring of its other external debt and its domestic debt to avoid a default with respect to payments on Existing Bonds that are not tendered in the Offer. If the Offer is not completed, the Republic may be unable to avoid such a default. Even if the offer is completed and depending upon other factors (such as the Republic's ability to reschedule or restructure other debt and the economic and financial condition of the Republic and the country generally), the Republic could decide not to continue to make payments on Existing Bonds that are not tendered in the Offer.

If the Offer is not completed, the Republic may not be able to service its external and domestic debt, including the Existing Bonds.

The Republic is experiencing significant difficulties in servicing its outstanding debt, including the Existing Bonds. The Republic may not have adequate resources to make payments on its debt unless the Offer is successfully completed and it secures additional debt relief from its other external creditors.

The 2006 Bonds mature on September 27, 2006. The Republic intends to, in effect, extend the maturity of the 2006 Bonds by exchanging them in the Offer for the New 2011 Bonds. If the Republic is unable to complete the Offer, the Republic may not be able to find an alternate source of refinancing for the 2006 Bonds before their maturity date. Any failure to refinance the 2006 Bonds may adversely affect the Republic's ability to service other indebtedness, including the 2013 Bonds, and could also result in an acceleration of certain of the Republic's other debt obligations.

In addition, as a result of the Republic's debt restructuring, the international capital markets are likely to be closed to the Republic for the foreseeable future. If the Offer fails to result in the exchange of a significant portion of the Existing Bonds, the Republic may not be able to secure financing in the international capital markets to enable it to resume making payments on its indebtedness, including the Existing Bonds.

Once the Offer is completed, the principal amount of Existing Bonds outstanding may be significantly reduced, which may adversely affect their market value and the ability of holders to sell Existing Bonds.

The principal amount of Existing Bonds that will remain outstanding after the exchange is consummated may be significantly reduced, depending on the overall level of participation in the Offer by each series of Existing Bonds. Consequently, the trading market, if any, for Existing Bonds outstanding after the Offer could become limited or nonexistent. The lack of an active market or published secondary market price quotations for the Existing Bonds may adversely affect the trading prices of the Existing Bonds.

The Republic may seek to delist the Existing Bonds from the Luxembourg Stock Exchange, which may adversely affect the trading prices and liquidity of the Existing Bonds that remain outstanding after completion of the Offer.

The Existing Bonds currently are listed for trading on the Luxembourg Stock Exchange. In connection with or after the Offer, the Republic may seek to delist the Existing Bonds from the Luxembourg Stock Exchange. A delisting may adversely affect the trading market for the Existing Bonds, which in turn could have a material adverse effect on the trading price for those Existing Bonds.

The Republic may repurchase Existing Bonds after completion of the Offer on terms more or less favorable than those proposed in the Offer.

The Republic reserves the right in its sole discretion, from time to time after completion of the Offer, to repurchase any Existing Bonds that may remain outstanding through various means, including open market or privately negotiated transactions and one or more additional tender or exchange offers. If the Republic repurchases Existing Bonds, the Republic may do so on terms that may differ materially from, and may be more or less favorable to holders of Existing Bonds that do not participate in the Offer than the terms proposed in the Offer. These terms may adversely affect the price of non-exchanged Existing Bonds.

If the "exit consent" amendments described in this offering memorandum become effective, holders of Existing Bonds that do not tender their bonds in the Offer may have reduced ability to enforce their rights against the Republic, which may also adversely affect the market prices and liquidity of the Existing Bonds.

In connection with the Offer, the Republic is seeking to amend the terms and conditions of the Existing Bonds as follows:

- modify the waiver of sovereign immunity provisions so that this waiver does not cover attachments or similar actions against amounts paid on the Exchange Bonds or other public external debt issued on or after May 11, 2005;

- delete the event of default provisions that are triggered by cross-default or cross-acceleration of other public external debt;

- delete the event of default provisions that are triggered by unsatisfied or undischarged judgments against the Republic; and

- delete the negative pledge covenant of the Existing Bonds.

See "Terms of the Offer—Exit Consent Amendments to Existing Bonds and Fiscal Agency Agreements."

If the amendment modifying the Republic's waiver of sovereign immunity becomes effective with respect to the Existing Bonds upon completion of the Offer, the holders of Existing Bonds not tendered in the Offer may not be able to attach any amounts paid by the Republic in the United States, and possibly other jurisdictions, under public external debt issued on or after the completion of the Offer to satisfy a court judgment obtained in respect of Existing Bonds that remain outstanding.

If the amendment deleting the cross-default/cross-acceleration event of default provisions becomes effective with respect to the Existing Bonds upon completion of the Offer, the holders of Existing Bonds not tendered in the Offer will no longer be able to declare the principal amount of such Existing Bonds due and payable immediately in the event that the Republic defaults on other public external debt having an aggregate principal amount of more than US$25 million (or its equivalent in another currency).

If the amendment deleting the judgment default event of default provision becomes effective with respect to the Existing Bonds upon completion of the Offer, the holders of Existing Bonds not tendered in the Offer will no longer be able to declare the principal amount of such Existing Bonds due and payable immediately in the event that a judgment is entered against the Republic for the payment of money in an amount that is more than US$25 million (or its equivalent in another currency), and the Republic fails to discharge that judgment.

In addition, the deletion of the negative pledge covenant of the Existing Bonds, if it becomes effective, will permit the Republic to provide collateral or security for the benefit of the Exchange Bonds and other public external debt without doing so on an equal basis for the benefit of the Existing Bonds.

In the event that the above amendments become effective, the market prices and liquidity of the Existing Bonds may be adversely affected.

Risks of Participating in the Offer

The terms of the restructuring of the Republic's other outstanding external debt and its domestic debt have not yet been determined and could differ from the terms of the Offer.

The Offer of the Exchange Bonds represents an initial, but essential step in the Republic's program of restructuring its outstanding external and internal debt so as, among other objectives, to comply with its agreements with the Paris Club and the IMF and to achieve a sustainable debt profile. The Republic is in the process of rescheduling or restructuring some of its other debt, including its commercial loans from external lenders and its external debt owed to suppliers as well as certain of its domestic debt. The Republic has not yet agreed with creditors as to the terms for the rescheduling and restructuring of this other debt. The Republic intends to seek to obtain broadly comparable treatment for all of its creditors. However, the actual terms for the rescheduling or restructuring of this other debt could differ in material respects from the terms of the Offer, and such different terms could be more favorable to creditors than those reflected in the Offer. Accordingly, the Republic cannot assure holders of the Exchange Bonds—and particularly holders of Existing Bonds—that the terms of the Offer will not be materially different from the terms of any or all other parts of its overall debt restructuring program.

The Republic has broad discretion to terminate, extend or amend the terms of the Offer, which may affect the timing for completion of the Offer and the ability of holders of Existing Bonds to transfer or sell their bonds.

The terms of the Offer allow the Republic to terminate or extend the Offer past the originally scheduled expiration date, to withdraw or amend the Offer in one or more jurisdictions, and to reject valid tenders of Existing Bonds, in each case at the Republic's sole discretion. For example, the Republic retains the discretion not to complete the Offer even if the minimum tender condition (*i.e.*, tenders of at least 85% in aggregate principal amount of all Existing Bonds) is satisfied. Accordingly, the Republic cannot provide any assurance that the exchange of Existing Bonds for Exchange Bonds pursuant to the Offer will be completed in any particular jurisdiction, or at all. Even if the Offer is consummated, the Republic cannot assure holders of Existing Bonds that the Offer will be completed in accordance with the time schedule and terms set forth in this offering memorandum due to potential legal proceedings or other reasons. Accordingly, holders participating in the Offer may have to wait longer than expected to receive their Exchange Bonds, during which time those holders will not be able to effect transfers of their Existing Bonds tendered pursuant to the Offer.

All questions as to the validity, form and eligibility (including time of receipt) of notices of withdrawal will be determined by the Republic, in its sole discretion (which determinations shall be final and binding). None of the Republic, the exchange agent, the Luxembourg exchange agent, the dealer managers, the information agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal, or incur any liability for failure to give any such notification.

Tendering holders should also be aware that the time between the Expiration Date of the Offer and the Settlement Date will be at least 6 calendar days. The market price of the Existing Bonds may fluctuate after holders tender Existing Bonds pursuant to the Offer. Tendering holders, however, will not be able to effect transfers of any tendered Existing Bonds (except in limited circumstances when tenders may be withdrawn and are actually withdrawn), and thus will not be able to benefit from favorable fluctuations in the market price of such securities. Moreover, tendering holders will not receive any Exchange Bonds in exchange for Existing Bonds they tender until the Settlement Date. If completion of the Offer is delayed, tendering holders may have to wait longer than expected to receive any Exchange Bonds, during which time they will not be able to effect transfers of any tendered Existing Bonds (except in limited circumstances when tenders may be withdrawn and are actually withdrawn). Existing Bonds tendered in the Offer will be "blocked" for transfers to third parties pending completion of the Offer.

If the Offer is extended without a material change to its terms, holders that have tendered Existing Bonds pursuant to the Offer will not be able to withdraw such tenders.

The Republic reserves the right, subject to applicable law, to terminate withdrawal rights in the event that it extends the Offer beyond May 4, 2005 unless it makes a material change to its terms. See "Terms of the Offer—Tender Procedures—Withdrawal Rights." If the Republic extends the Expiration Date, it will be extended for a specific period of time. Tenders of Existing Bonds may not be withdrawn during the extension period unless changes are made to the terms and conditions of the Offer that are, in the judgment of the Republic, materially adverse to holders of Existing Bonds.

Holders of Existing Bonds who do not participate in the Offer may attempt to prevent consummation of the Offer by seeking an injunction or pursuing other legal remedies.

The Republic may be subject to efforts by hold-out (*i.e.*, non-participating) holders of Existing Bonds to enjoin or otherwise prevent the consummation of the Offer. Recently, for example, non-participating creditors initiated legal proceedings to enjoin separate exchange offers by the Province of Mendoza and the Republic of Argentina. Although the courts ultimately did not restrain these exchange offers, the legal proceedings succeeded in delaying or impeding their consummation. The Republic cannot assure you that hold-out creditors will not take actions that may, or that a court will not, enjoin, impede or delay the Offer. The Republic intends to oppose vigorously any efforts to challenge the Offer, but can offer no assurances of success.

Holders of Existing Bonds that tender Existing Bonds in the Offer may be subject to U.S. or other income tax liability.

As described under "Taxation—U.S. Federal Income Tax Consequences" and "—Consequences of Tendering Your Existing Bonds," the exchange of Existing Bonds for Exchange Bonds is expected to result in a taxable transaction for U.S. federal income tax purposes. As a result, holders of Existing Bonds that are U.S. taxpayers and that participate in the Offer, generally may be required to recognize gain or loss, with respect to the Existing Bonds tendered. Similar considerations may also apply in other jurisdictions where holders are resident for tax purposes.

Any error committed by a holder to effectuate and, if applicable, withdraw tenders, may result in the failure to tender or withdraw its Existing Bonds or a delay in a holder's receipt of Exchange Bonds.

In order to submit a tender, holders must submit, or arrange to have submitted on their behalf, a duly completed letter of transmittal. It is possible that any person or entity in this chain of tender may commit an error in submitting a tender. Any errors by the clearing systems, direct participants in the relevant clearing system and custodians may prejudice a tendering holder's ability to receive Exchange Bonds.

For a withdrawal of a tender of Existing Bonds to be effective, an electronic, written or facsimile transmission of notice of withdrawal must be received by the exchange agent, or Luxembourg exchange agent, prior to the Expiration Date at its address set forth on the inside back cover page of this offering memorandum. The submission of a notice of withdrawal must be effected through the same securities intermediaries, direct participants and clearing systems through which letters of transmittal were delivered. It is possible that any person or entity in this chain may commit an error in submitting a holder's notice of withdrawal, and thus prejudice the holder's ability to withdraw the tender.

None of the Republic, the dealer managers, the exchange agent or the Luxembourg exchange agent will be responsible for any such errors, or other failure by the clearing systems, direct participants or custodians to comply with any of these tendering or withdrawal procedures.

By tendering Existing Bonds pursuant to the Offer, holders will renounce and waive significant rights and interests, including the right to bring claims in litigation.

Holders tendering any Existing Bonds in exchange for Exchange Bonds pursuant to the Offer will renounce and waive significant rights and interests, including the right to bring claims (as members of a class action or individually) in connection with the Offer and their tendered Existing Bonds. Holders will, in effect, abandon any proceedings against the Republic relating to their tendered Existing Bonds, waive their right to enforce any judgment against the Republic obtained in any such proceedings and waive all rights awarded and any assets attached for their benefit through any prejudgment attachment ordered by any court in connection with their tendered Existing Bonds. See "Terms of the Offer—Representations, Warranties and Undertakings relating to Tenders of Existing Bonds" for the full acknowledgments, representations, warranties and undertakings that holders will be deemed to make as a condition to their participation in the Offer.

Risks Relating to Owning Exchange Bonds

There is no established trading market for the Exchange Bonds, and the price at which the Exchange Bonds will trade in the secondary market is uncertain.

The Exchange Bonds will be new issues of securities with no established trading market. The Republic does not know the extent to which investor interest will lead to the development of an active trading market for the Exchange Bonds or how liquid that market may become. If the Exchange Bonds are traded after their initial issuance, they may trade at a price lower than their principal amount, depending upon prevailing interest rates, the market for similar securities and general economic conditions in the United States, Dominican Republic and elsewhere.

The Republic has submitted an application to list the Exchange Bonds on the Luxembourg Stock Exchange. The Exchange Bonds are expected to be designated for trading in the PORTAL Market of the National Association of Securities Dealers, Inc. The Republic cannot assure you that a trading market for the Exchange Bonds will develop or that the price at which the Exchange Bonds will trade in the secondary market will be sustainable. If an active market for any series of the Exchange Bonds fails to develop or continue, this failure could harm the trading price of the Exchange Bonds.

The ability of holders to transfer Existing Bonds in the United States and certain other jurisdictions will be limited.

The Exchange Bonds issued pursuant to this Offer will not be registered under the Securities Act and, therefore, may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws. Offers and sales of the Exchange Bonds may also be subject to transfer restrictions in other jurisdictions. You should consult your financial or legal advisors for advice concerning applicable transfer restrictions in respect of the Exchange Bonds.

Any investment in securities of a sovereign issuer in an emerging market, such as the Exchange Bonds, involves significant risks.

The Dominican Republic is an emerging market economy and investing in securities of emerging markets issuers generally involves risks, including, among others, political, social and economic instability that may affect economic and fiscal results. Instability in the Dominican Republic and in other Latin American and emerging market countries has been caused by many different factors, including, among others, the following:

- high interest rates;
- devaluation or depreciation of the currency;
- inflation;
- exchange controls;
- wage and price controls;
- changes in governmental economic, tax or other policies; and
- the imposition of trade barriers.

Any of these factors, as well as volatility in the markets for securities similar to the Exchange Bonds, may adversely affect the liquidity of, and trading market for, the Exchange Bonds.

The Republic is a sovereign state and it may be difficult to obtain or enforce judgments against it.

The Republic is a sovereign state. Consequently, while the Republic has irrevocably submitted to the jurisdiction of U.S. state or federal courts sitting in the Borough of Manhattan, The City of New York, with respect to Exchange Bonds, which are governed by New York law, it may be difficult for holders of Exchange Bonds or the trustee in respect of the Exchange Bonds to obtain or enforce judgments of courts in the United States or elsewhere against the Republic. No treaty currently exists between the United States and the Dominican Republic providing for reciprocal enforcement of foreign judgments.

Additionally, while the Republic has, to the fullest extent permitted under applicable law, including the U.S. Foreign Sovereign Immunities Act of 1976, irrevocably waived sovereign or other immunity from jurisdiction with respect to any suit, action or proceeding arising out of or relating to the bonds or the Republic's failure or alleged failure to perform any obligations under the bonds (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise), there are important exceptions to this waiver. Under the U.S. Foreign Sovereign Immunities Act of 1976, it may not be possible to enforce in the Republic a judgment based on such a U.S. judgment. In addition, under the laws of the Republic, the property and revenues of the Republic are exempt from attachment or other form of execution before or after judgment. See "Description of Exchange Bonds—Governing Law" and "—Submission to Jurisdiction."

Moreover, the Republic has not consented to service or waived sovereign immunity with respect to actions brought against it under the U.S. federal securities laws or any state securities laws. In the absence of a waiver of immunity by the Republic with respect to such actions, it would not be possible to obtain a judgment in such an action brought in a U.S. court against the Republic unless such court were to determine that the Republic is not entitled under the U.S. Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such action. Further, even if a U.S. judgment could be obtained in any such action under the U.S. Foreign Sovereign Immunities Act of 1976, it may not be possible to enforce in the Republic a judgment based on such a U.S. judgment. Execution upon property of the Republic located in the United States to enforce a U.S. judgment may not be possible except under the limited circumstances specified in the U.S. Foreign Sovereign Immunities Act of 1976.

Risks Relating to the Republic

The Republic is experiencing an ongoing economic crisis, which is impairing its ability to make payments on its outstanding external and domestic debt.

Beginning in 2003, the Dominican economy experienced severe setbacks that led to a broad-ranging crisis, which included a decrease in real GDP, a substantial increase in the public sector deficit and a loss of confidence in the banking sector and the Republic's financial system generally, resulting in capital flight; a substantial reduction in the levels of the Central Bank's net international reserves; a sharp depreciation of the peso, which fell from a weighted average in 2001 of DOP16.89 per dollar, to DOP30.27 per dollar in 2003; an increase in domestic real interest rates as a result of open-market operations by the Central Bank to curb inflation; a 50% increase in public debt; social unrest as economic conditions deteriorated and labor strikes and street demonstrations became prevalent; an increase in the unemployment rate; and growing poverty. The percentage of Dominicans living in poverty increased to 62% in 2003, as compared to 54% in 2000.

In 2003, the Republic went into arrears on public sector external debt owed to multilateral institutions, bilateral creditors (both Paris and non-Paris Club members), commercial banks and suppliers. As of September 30, 2004, total arrears, including principal and interest, on public sector external debt amounted to approximately US$332.8 million. Arrears owed to domestic creditors totaled approximately DOP3.4 billion as of December 31, 2004. See "The Economy—The Economic Crisis."

The Dominican peso has experienced significant recent depreciation against the U.S. dollar and may devalue further in the future.

Capital flight and a general loss in confidence in the Dominican economy following the banking crisis in May 2003 resulted in significant depreciation of the peso through most of 2004, losing 36.8% of its value as of December 2004 compared to December 2002. The depreciation of the peso has, in turn, caused deterioration in the quality of the foreign currency-denominated loan portfolio of several Dominican financial institutions and caused the Republic's public sector debt to GDP ratio to rise to 34.2% as of December 31, 2004 (compared to 20.9% as of December 31, 2002), while the public sector external debt service to exports of goods and services ratio for 2004 decreased to 9.6% (compared to 10.7% as of December 31, 2002). If a restructuring of the Republic's external and domestic debt (of which this Offer is a part) is not completed, an additional real depreciation of the peso could result that would materially impair the Republic's ability to service its debt, including the Exchange Bonds.

A significant appreciation of the Dominican peso could adversely affect the competitiveness of Dominican exports and hinder the Dominican Republic's economic growth.

Any significant appreciation in the value of the peso relative to the currencies of the Republic's major trading partners and trade competitors could make Dominican exports less competitive with goods from other sources and lead to decreased export revenue. Decreased export earnings could have a material adverse effect on the Republic's financial condition and the ability of the Republic to service its debt, including the Exchange Bonds.

The Republic is dependent on assistance provided by international lending agencies and multilateral institutions, including the IMF and the Paris Club, and if the Republic is unable to comply with the terms of its agreements with those agencies and institutions, that assistance may be reduced.

In April 2004, the Republic concluded an agreement with the Paris Club that conditionally restructured US$193 million of indebtedness owed the Paris Club member countries. The debt relief granted by the Paris Club is conditioned on the Republic achieving comparable relief from its other creditors that is broadly referred to as "comparability of treatment." If the Republic does not reschedule its existing private indebtedness, including the Existing Bonds, on terms comparable to those being agreed with the Paris Club, future debt relief may not be available from the Paris Club and past relief may be withdrawn.

On February 1, 2005, the IMF approved the 2005 IMF Stand-by Arrangement, which provides for loans to the Republic of up to approximately US $665.2 million. A failure by the Republic to meet the fiscal and technical targets agreed with the IMF may preclude the future availability of funds under the 2005 IMF Stand-By Arrangement. If the Republic does not have access to the financing from the IMF or the debt relief agreed with the Paris Club, the Republic may not be able to make current payments on its indebtedness. See "The Economy—Recent Developments."

In the event of a default under the Existing Bonds, the Republic's payments on the Exchange Bonds may be attached, enjoined or otherwise challenged by holders of Existing Bonds that decline to participate in the Offer or by other creditors of the Republic.

Creditors have, in recent years, used litigation tactics against sovereign debtors who have defaulted on their sovereign bonds—for example, Peru, Nicaragua and Argentina—to attach or interrupt payments made by these sovereign debtors to, among others, holders of bonds who have agreed to a debt restructuring and accepted new securities in an exchange offer. Should the Republic become unable to, or decide not to, continue to make interest payments on the Existing Bonds, the Republic may become subject to suits to collect on defaulted Existing Bonds. The Republic cannot assure you, in the event of a default under the Existing Bonds, that a creditor will not be able to interfere, through an attachment of assets, injunction, temporary restraining order or otherwise, with payments made under the Exchange Bonds.

The Dominican Republic's economy may contract in the future, which could have a material adverse effect on public finances and on the market price of the Exchange Bonds.

The Dominican economy has experienced significant volatility in recent decades, including the ongoing economic crisis that began in 2003. The Republic cannot offer any assurance that the Dominican economy will grow in the future. Economic growth depends on a variety of factors, including, among others, international demand for Dominican exports, the stability and competitiveness of the peso against foreign currencies, confidence among Dominican consumers and foreign and domestic investors and their rates of investment in the Republic, the willingness and ability of businesses to engage in new capital spending and the rate of inflation. Some of these factors are outside the Republic's control. If the Dominican economy contracts, the Republic's revenues may decrease materially, the ability of the Republic to service its public debt, including the Exchange Bonds, may be adversely affected and the market price of the Exchange Bonds may be impaired.

The Republic may be unable to obtain financing on satisfactory terms in the future and its ability to service its public debt may be adversely affected.

The Republic's future fiscal results (*i.e.*, tax receipts excluding interest payments on the Republic's public debt) may be insufficient to meet its debt service obligations and it may have to rely in part on additional financing from the domestic and international capital markets in order to meet future debt service obligations. In the future, the Republic may not be able or willing to access the international or domestic capital markets, and the Republic's ability to service the Republic's public debt, including the Exchange Bonds, may be adversely affected.

An increase in inflation could have a material adverse effect on the Dominican Republic's economy.

Depreciation of the peso has created pressure on the domestic price system that generated high rates of inflation in 2003 and 2004. The Republic cannot assure you that inflation rates will not remain high or rise further in the future. Significant inflation could have a material adverse effect on the Dominican economy and the ability to service the Republic's debt, including the Exchange Bonds.

A decrease in remittances from Dominicans living abroad may have a significant adverse impact on the ability of the Republic to service its external debt, including the Exchange Bonds.

Remittances from Dominicans living abroad are one of the most important sources of foreign exchange in the Republic. In 2003, remittances totaled US$2.1 billion. Remittances, which are primarily denominated in U.S. dollars, provide foreign currency required to pay for imports and for the Government to make payments on its external debt, and are a key source of net transfers to the Republic's current account. A decrease in remittances may lead to depreciation of the peso and negatively affect the ability of the Republic to meet its external debt obligations.

The Dominican economy remains vulnerable to external shocks, which could have a material adverse effect on economic growth and the Republic's ability to make payments on its debt.

A significant decline in the economic growth of any of the Dominican Republic's major trading partners, especially the United States, could have a material adverse effect on the Republic's balance of trade and adversely affect the Republic's economic growth. The United States is the Dominican Republic's largest export market. A decline in demand for Dominican imports in the United States could have a material adverse effect on exports and the Republic's economic growth. In addition, because international investors' reactions to the events occurring in one emerging market economy sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, the Republic could be adversely affected by negative economic or financial developments in other emerging market countries. The Republic cannot assure you that events affecting other markets will not have a material adverse effect on the Republic's growth and its ability to service its public debt, including the Exchange Bonds.

A significant rise in interest rates in developed economies such as the United States could have a material adverse effect on the economies of the Dominican Republic's trading partners and adversely affect Dominican economic growth and the ability of the Republic to service its public debt.

If interest rates increase significantly in developed economies, including the United States, the Republic's trading partners could find it more difficult and expensive to borrow capital and refinance existing debt, which could adversely affect economic growth in those countries. Decreased growth on the part of the Republic's trading partners could have a material adverse affect on the markets for Dominican exports and, in turn, adversely affect the Dominican economy. An increase in interest rates in developed economies would also increase the Republic's debt service requirements with respect to its debt obligations that accrue interest at floating rates, which could adversely affect the ability of the Republic to service its public debt generally, including the Exchange Bonds.

The Dominican Republic's financial sector remains vulnerable to domestic shocks, which could threaten the financial system and lead to significant new government liabilities, adversely affecting the Republic's public finances and the ability of the Republic to service its public debt.

The ongoing economic crisis that began in 2003 resulted in the withdrawal of a significant amount of deposits from the Dominican financial system in a short period of time. This precipitated a liquidity crisis and ultimately several large financial institutions became insolvent. As a result, the Central Bank was forced to provide substantial financial aid to many banks in the financial sector. Many Dominican financial institutions remain weakened by the effects of the economic crisis and the Republic's response to it, and depositors' confidence in the financial system remains fragile. See "The Economy—The Economic Crisis."

In the event of a future shock, such as the failure of one or more banks or a run on deposits, the Republic could impose exchange controls or transfer restrictions. The Republic cannot assure that the Republic would choose to or be able to effectively intervene to prevent a collapse of the financial system. Any such intervention could lead to substantial unbudgeted liabilities, which could undermine the Republic's public finances and have a material adverse effect on both the Republic's prospects for economic growth and its ability to service its public debt, including the Exchange Bonds.

The Dominican Republic's on-going crisis in the electricity sector could have a material adverse impact on the Dominican Republic's economic growth and, ultimately, on the Republic's ability to service its public debt.

Electricity generators and distributors have been beset by financial problems that have resulted in frequent blackouts, widespread public protests and several temporary and permanent shutdowns of generating plants. Distributors, experiencing financial difficulties because of late payments and collection problems with customers, have been unable to meet all of their payment obligations to generators, which have consequently incurred significant debt to finance operations. In September 2003, the Government was forced to renationalize two of the Dominican Republic's three distribution companies for a purchase price of US$347.5 million and reassume their management due to severe financial and operating difficulties.

Persistent problems in the electricity sector have had, and may continue to have, a wide range of adverse affects on the Dominican economy. Foreign investors may find the Republic less appealing due to the costs and increased risks of investing in an infrastructure with inadequate power supply. Foreign trade, particularly in the export-based manufacturing free trade zones, may be negatively affected by electricity shortages and resulting production interruptions during blackouts. Current government electricity subsidies may be politically difficult to eliminate until certain structural reforms are made and stability of energy prices is achieved and may contribute to the fiscal deficit. See "The Economy—Secondary Production—Electricity, Gas and Water." Foreign investors may find the Republic less appealing due to the costs and increased risks of investing.

Any revision to the Republic's official financial or economic data resulting from any subsequent review of such data by the Central Bank or other government entities could have a material adverse effect on the Republic's ability to service its public debt.

Certain financial and other information presented in this offering memorandum may subsequently be materially adjusted or revised to reflect new or more accurate data, as a result of the periodic review of the Republic's official financial and economic statistics. Such revisions could reveal that the Republic's economic and financial conditions as of any particular date are materially different from those described in this offering memorandum. The Republic can offer no assurance that such adjustments or revisions will not have a material adverse effect on the interests of the Republic's creditors, including any tendering holders receiving Exchange Bonds pursuant to the Offer.

The termination of the WTO Agreement on Textiles and Clothing may have an adverse effect on Dominican exports.

The Dominican Republic's economy has been and is likely to continue to be adversely affected by the elimination of quotas on textiles in January 2005 following the termination of the WTO Agreement on Textiles and Clothing. As a result, textile exports, a key source of foreign currency for the Republic, will no longer enjoy preferential access to the United States' market, and may decrease significantly due to greater foreign competition, specifically from China and India. See "The Economy—Principal Sectors of the Economy—Secondary Production—Manufacturing—Free Trade Zones" and "Balance of Payments and Foreign Trade—Foreign Trade." The Republic cannot predict the full implications of the elimination of the WTO Agreement on Textiles and Clothing on the Republic's foreign trade and economic condition generally.

Future political support for the Government's economic reform program, including servicing of the external debt, is not assured.

The Fernández administration's party, the *Partido de la Liberación Dominicana*, does not control a majority in either house of the Dominican Congress. Although Congress has approved the Government's budget for 2005, future changes in the political environment could result in a reduction in the proportion of the Government's budget that is devoted to debt service or have other adverse effects on the Republic's ability to meet its debt obligations beyond 2005.

TERMS OF THE OFFER

The Republic is inviting owners of Existing Bonds, also referred to as "holders," to tender, on the terms and subject to the conditions of this offering memorandum and the related letter of transmittal, Existing Bonds in exchange for newly issued Exchange Bonds. Each tender for exchange is referred to as a "tender." The terms of each series of Exchange Bonds are described under the heading "Description of Exchange Bonds."

Consideration to be Received Pursuant to Tenders

2006 Bonds

For each US$1,000 principal amount of 2006 Bonds validly tendered and accepted for exchange, you will receive US$1,000 principal amount of New 2011 Bonds.

2013 Bonds

For each US$1,000 principal amount of 2013 Bonds validly tendered and accepted for exchange, you will receive US$1,000 principal amount of New 2018 Bonds.

Denominations

Existing Bonds may be tendered in the minimum denomination of US$1,000. Exchange Bonds will be issued only in denominations of US$1,000 and in integral multiples of US$1 in excess thereof. See "Description of Exchange Bonds—General—Basic Terms Common to Both Series of the Exchange Bonds."

Minimum Tenders of Existing Bonds

The Republic's offer to exchange Exchange Bonds for Existing Bonds is conditioned on receipt by the Expiration Date of tenders of at least 85% in aggregate principal amount of all Existing Bonds taking into account both series of Existing Bonds, provided that at least a majority of the aggregate principal amount of each series of Existing Bonds tenders Existing Bonds pursuant to the Offer. This minimum tender condition is for the sole benefit of the Republic and may be waived by it in its sole discretion.

Exit Consent Amendments to Existing Bonds and Fiscal Agency Agreements

For each Existing Bond that you tender pursuant to the Offer, you will be deemed to consent to the amendments to the terms and conditions of that Existing Bond and the fiscal agency agreement governing that Existing Bond, as described below. These exit consent amendments will take effect for each Existing Bond and the corresponding fiscal agency agreement only if consented to by holders of at least a majority in aggregate principal amount of the relevant Existing Bonds and will become operative following the acceptance of Existing Bonds for exchange pursuant to the Offer.

Each holder that tenders Existing Bonds in the Offer thereby will be deemed to consent to each of the following amendments to the terms of the Existing Bonds and the corresponding fiscal agency agreement:

2006 Bonds

- The first sentence of the second paragraph of Paragraph 13 of the terms and conditions of the 2006 Bonds and the first sentence of the second paragraph of Section 15 of the Fiscal Agency Agreement, dated as of September 27, 2001, entered into by and between the Dominican Republic and The Chase Manhattan Bank, as fiscal agent, are amended to add the following proviso to the end thereof:

  "; *provided, however*, that nothing in this section shall constitute, or be deemed to constitute, an explicit or implicit waiver of immunity from attachment prior to judgment, attachment in aid of execution or execution with respect to any amount paid by the Republic under Public External

Debt (whether of principal, interest, redemption or otherwise) issued, or amended as to payment terms, on or after May 11, 2005."

- Delete Paragraph 7(a)(iii)(A) and (B) of the terms and conditions of the 2006 Bonds in its entirety (Event of Default triggered by Cross-Default and Cross-Acceleration of Public External Debt).

- Delete Paragraph 7(a)(vi) of the terms and conditions of the 2006 Bonds in its entirety (Event of Default triggered by Unsatisfied or Undischarged Judgments).

- Delete Paragraph 8(a) of the terms and conditions of the 2006 Bonds in its entirety (Negative Pledge Covenant).

2013 Bonds

- The first sentence of the second paragraph of Paragraph 13 of the terms and conditions of the 2013 Bonds and the first sentence of the second paragraph of Section 15 of the Fiscal Agency Agreement, dated as of January 23, 2003, entered into by and between the Dominican Republic and JPMorgan Chase Bank, as fiscal agent, are amended to add the following proviso to the end thereof:

  "; *provided, however*, that nothing in this section shall constitute, or be deemed to constitute, an explicit or implicit waiver of immunity from attachment prior to judgment, attachment in aid of execution or execution with respect to any amount paid by the Republic under Public External Debt (whether of principal, interest, redemption or otherwise) issued, or amended as to payment terms, on or after May 11, 2005."

- Delete Paragraph 7(a)(iii)(A) and (B) of the terms and conditions of the 2013 Bonds in its entirety (Event of Default triggered by Cross-Default and Cross-Acceleration).

- Delete Paragraph 7(a)(vi) of the terms and conditions of the 2013 Bonds in its entirety (Event of Default triggered by Unsatisfied or Discharged Judgments).

- Delete Paragraph 8(a) of the terms and conditions of the 2006 Bonds in its entirety (Negative Pledge Covenant).

If the above amendments to the terms of a series of Existing Bonds become effective, they will be binding on all holders of such series of Existing Bonds that remain outstanding following completion of the Offer. All Existing Bonds, if amended as described above, are collectively referred to as the "Amended Existing Bonds." Bondholders that do not elect to participate in the Offer but whose Existing Bonds are amended in the manner described above will hold Amended Existing Bonds from and after the date of effectiveness of the relevant amendments.

Offering Restrictions

You are not eligible to receive or review this offering memorandum or to participate in the Offers unless you have previously completed and returned to the Republic or the exchange agent a letter of eligibility in the form we have previously distributed, and

(1) you are a qualified institutional buyer in the United States and are participating in the Offer under an exemption provided by Rule 144A under the Securities Act; or

(2) you either:

  - are not in the United States (as contemplated in Rule 903(a)(1) of Regulation S under the Securities Act) and are not a U.S. person (as defined in Rule 902(o) of Regulation S under the Securities Act, or

- are a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States holding a discretionary account or similar account (other than an estate or trust) for the benefit or account of a non-U.S. person (as contemplated by Rule 903(a)(1) of Regulation S under the Securities Act); and

(3) your receipt and review of the Offer Materials, and your participation in the Offer, is otherwise permitted under the laws and regulations of any other jurisdiction applicable to you, as set forth in "Jurisdictional Restrictions."

We refer to holders of Existing Bonds who meet the foregoing criteria as "eligible holders."

For a description of certain restrictions on resale or transfer of the Exchange Bonds, see "Transfer Restrictions" in this offering memorandum.

Representations, Warranties and Undertakings relating to Tenders of Existing Bonds

By tendering Existing Bonds in the Offer, but subject to acceptance of Existing Bonds by the Republic for exchange, the holder and the beneficial owner of those Existing Bonds will be deemed, among other things, to irrevocably (following the termination of withdrawal rights) and unconditionally:

- accept the Offer in respect of the aggregate principal amount of Existing Bonds tendered in its letter of transmittal, subject to the terms and conditions of the Offer as set forth in this offering memorandum;

- sell, assign and transfer to or upon the order of the Republic or its nominee, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of such holder's status as a holder of, all Existing Bonds tendered, such that thereafter it shall have no contractual or other rights or claims in law or equity against the Republic or any fiduciary, trustee, fiscal agent or other person connected with the Existing Bonds arising under, from or in connection with such Existing Bonds;

- waive any and all rights with respect to all Existing Bonds tendered (including, without limitation, any existing, past or continuing defaults and their consequences in respect of such Existing Bonds);

- release and discharge the Republic and its affiliates and the fiscal agent in respect of the Existing Bonds and the trustee for the Exchange Bonds and any of their agents, officials, officers, employees or advisors, from any and all claims such holder may have, now or in the future, arising out of or related to all Existing Bonds tendered, including, without limitation, any claims that such holder is entitled to receive accrued interest or any other payment with respect to Existing Bonds tendered (other than as expressly provided for in this offering memorandum and the letter of transmittal);

- constitute and appoint the exchange agent as its true and lawful agent and attorney-in-fact (with full knowledge that the exchange agent also acts as our agent) with respect to all Existing Bonds tendered, with full power of substitution, to (a) present such Existing Bonds and all evidences of transfer and authenticity to us, or upon our order, (b) present such Existing Bonds for transfer of ownership on the books of the Republic, (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Existing Bonds and (d) receive on behalf of such holder and beneficial owner the Exchange Bonds issued in exchange for Existing Bonds;

- constitute and appoint the exchange agent as its true and lawful agent and attorney-in-fact, and provide an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) deemed necessary in the opinion of such attorney and agent in relation to Existing Bonds tendered thereby in favor of the Republic or such other person or persons as we may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's opinion and/or the certificate(s) and other document(s) of title relating to such Existing Bonds' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer, and to vest in the Republic or its nominees such Existing Bonds;

- vote in favor of the proposal to approve and otherwise consent to the proposed exit consent amendments to the Existing Bonds of the series tendered and the fiscal agency agreement under which that series of Existing Bonds was issued; and

- take all actions desirable to cause (a) certification that the requisite votes or consents to approve the proposed amendments to the Existing Bonds have been received and (b) the execution and delivery by the Republic and the fiscal agent of an amendment or amendments to the Existing Bonds and the fiscal agency agreements pursuant to which the Existing Bonds were issued that implements the proposed exit consent amendments with respect to such Existing Bonds.

In addition, each holder and beneficial owner of Existing Bonds will be deemed to acknowledge, represent, warrant and agree that:

- it has received and reviewed this offering memorandum in its entirety;

- it is, and will remain through Settlement Date, an eligible holder, as defined in "—Offering Restrictions";

- it is the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, all Existing Bonds tendered by it and it has full power and authority to submit the letter of transmittal, and has full power and authority to tender, sell, assign and transfer Existing Bonds tendered by it;

- all Existing Bonds being tendered by it were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and acknowledges that we will acquire good, indefeasible and unencumbered title to such Existing Bonds, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same;

- it will not sell, pledge, hypothecate or otherwise encumber or transfer any Existing Bonds tendered from the date of the letter of transmittal and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;

- in evaluating the Offer and in making its decision whether to participate therein by submitting a letter of transmittal and tendering its Existing Bonds, it has made its own independent appraisal of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to such holder by the Republic or the dealer managers other than those contained in this offering memorandum (as supplemented to the Expiration Date);

- the delivery of the letter of transmittal shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this offering memorandum;

- the terms and conditions of the Offer shall be deemed to be incorporated in, and form a part of, the letter of transmittal which shall be read and construed accordingly; and

- we, the dealer managers, the exchange agent, the Luxembourg exchange agent and other persons will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements, and that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by it by its acquisition of the Exchange Bonds are no longer accurate, it will promptly notify the Republic and withdraw its tender of Existing Bonds.

The representations and warranties and agreements of a person tendering Existing Bonds shall be deemed to be repeated and reconfirmed on and as of the Expiration Date for the Offer and on and as of the Settlement Date.

For purposes of this offering memorandum, the "beneficial owner" of any Existing Bonds shall mean any holder that exercises sole investment discretion with respect to such Existing Bonds.

Tender Procedures

General

The Republic intends to conduct the exchange of Existing Bonds for Exchange Bonds through the use of electronic letters of transmittal (except in the case of holders of Existing Bonds who wish to tender such Existing Bonds and deliver a letter of transmittal through the Luxembourg exchange agent). If you wish to tender any Existing Bonds for Exchange Bonds pursuant to the Offer, you must submit, or arrange to have submitted on your behalf, a letter of transmittal in electronic form applicable to the Existing Bonds tendered by you (except as mentioned above). However, if you are in Luxembourg, you may submit your letter of transmittal by courier or hand delivery to the Luxembourg exchange agent at its address specified on the back cover of this offering memorandum.

You may make as many separate tenders as you wish.

Procedures for Submitting Letters of Transmittal

Your letter of transmittal must be submitted during the Offer Period. Exchange Bonds tendered in the Offer will be "blocked" for transfers to third parties pending settlement.

If the Exchange Bonds are to be delivered to an account that is different from the account from which Existing Bonds are tendered, your letter of transmittal must clearly designate an account at DTC, Euroclear or Clearstream (the "Designated Clearing Systems"), as applicable, where the Exchange Bonds you are entitled to receive can be credited upon settlement of the Offer.

The exchange agent is the entity responsible for, among other things, receiving and processing tenders made by holders pursuant to the Offer through the Designated Clearing Systems (as defined below) and, at the settlement of the Offer, delivering the Exchange Bonds to the tendering holders. The procedures you must follow to effectively tender Existing Bonds depend upon the manner in which you hold your Existing Bonds. We summarize these procedures below.

If you have any questions regarding the process by which you can tender Existing Bonds, you may contact the information agent at the phone number listed on the back cover of this offering memorandum.

If You Hold Existing Bonds in Book-Entry Form

We set forth below a description of the procedures generally applicable for tenders of Existing Bonds held in book-entry form, followed by a brief summary of specific tender procedures applicable to the Designated Clearing Systems. **In any event, it is your responsibility to inform yourself of, and arrange for timely tender of your Existing Bonds in accordance with, the procedures applicable to the Designated Clearing Systems through which you tender your Existing Bonds.**

General Procedures

Beneficial ownership of Existing Bonds held in book-entry form generally represents an interest in a global certificate representing Existing Bonds that is registered in the name of a clearing system or such clearing system's nominee. These beneficial interests may be held directly if you have an account with the relevant clearing system, or indirectly through institutions, such as securities brokers and dealers, that have an account with the relevant clearing system. We refer to institutions that have an account with the relevant clearing system as "direct participants" in such system. Only these direct participants may submit electronic letters of transmittal to the relevant clearing system. If you are not a direct participant, you (or your broker, dealer, bank, trust company, trustee or other custodian on your behalf) must arrange for the direct participant through which you hold your Existing Bonds to submit an electronic letter of transmittal on your behalf to the relevant clearing system.

The Republic has designated each of DTC, Euroclear and Clearstream as "Designated Clearing Systems" for purposes of the Offer, either because Existing Bonds are registered in the name of such clearing system (or a nominee of its depositary) or the Republic expects a substantial number of tenders to be submitted through these clearing systems.

The Republic has made special arrangements with the Designated Clearing Systems that will allow these clearing systems to submit electronic letters of transmittal on behalf of tendering holders directly to the exchange agent. These Designated Clearing Systems will be able to perform this function even with respect to the Existing Bonds that are not registered in their name (or in the name of their depositary nominee). For more information please contact the information agent at the address and telephone number set forth on the back cover of this offering memorandum.

For your tender to be effective, a direct participant in a Designated Clearing System through which you tender your Existing Bonds must submit an electronic letter of transmittal on your behalf to the relevant Designated Clearing System prior to 4:15 P.M. (New York City time) on the Expiration Date. The Designated Clearing Systems will not submit to the exchange agent any electronic letter of transmittal they receive after this time.

Upon receipt of your electronic letter of transmittal, the Designated Clearing System will submit your electronic letter of transmittal to the exchange agent. The receipt of your electronic letter of transmittal by a Designated Clearing System will result in the blocking of your tendered Existing Bonds in such clearing system. This will prevent you from being able to transfer your tendered Existing Bonds to third parties.

The exchange agent will establish an account at each of the Designated Clearing Systems for purposes of receiving tenders of Existing Bonds pursuant to the Offer. The receipt of your electronic letter of transmittal by the Designated Clearing System will constitute instructions to make a book-entry transfer of your tendered Existing Bonds into the exchange agent's account at such clearing system. Your tendered Existing Bonds will be held in the exchange agent's account pending settlement of the exchange on the Settlement Date. Upon performing the book-entry transfer of your tendered Existing Bonds into the exchange agent's account, the Designated Clearing System will deliver to the exchange agent a confirmation of such book-entry transfer.

None of the Republic, any dealer manager, the information agent, the exchange agent or the Luxembourg exchange agent will be responsible for ensuring that any electronic letter of transmittal is submitted to or accepted by a Designated Clearing System or for ensuring that the book-entry transfer into the exchange agent's account at the relevant clearing system is effected. If your tendered Existing Bonds are not transferred into the exchange agent's account at the relevant Designated Clearing System prior to the Expiration Date, your tender will be deemed invalid.

By submitting a valid electronic letter of transmittal to a Designated Clearing System, tendering holders, and the relevant direct participant on their behalf, shall be deemed to have made the representations and warranties set forth below under "—Representations, Warranties and Undertakings relating to Tenders of Existing Bonds" to the Republic, the dealer managers, the information agent, the exchange agent and the Luxembourg exchange agent.

Special Instructions for Tenders Through DTC

If your Existing Bonds are held or registered in the name of a nominee of DTC, and you do not hold your beneficial interest in these securities through any other Designated Clearing System, you may submit your tender directly through DTC using DTC's Automated Tender Offer Program system ("ATOP system"). To effectively tender any such Existing Bonds, you must:

- instruct DTC (if you are a direct participant in DTC), or arrange to have a direct participant in DTC provide instructions to DTC on your behalf, to make a book-entry transfer of the Existing Bonds you tender into the exchange agent's account at DTC, in accordance with DTC procedures for such transfers; and

- electronically transmit to DTC (if you are a direct participant in DTC), or arrange to have a direct participant in DTC electronically transmit to DTC on your behalf, your duly completed electronic letter of transmittal through the ATOP system.

Upon completion of these steps, the Republic expects DTC to transfer the Existing Bonds you tender into the exchange agent's account at DTC, to deliver to the exchange agent a confirmation of such book-entry transfer and, upon verifying your acceptance, to send an "agent's message" to the exchange agent for its acceptance of your tender. An "agent's message" is a message transmitted by DTC to, and received by, the exchange agent as part of DTC's confirmation of the book-entry transfer of your Existing Bonds to the exchange agent's account at DTC. The "agent's message" will state that:

- DTC has received an express acknowledgment from a DTC participant tendering Existing Bonds on behalf of the holder of such Existing Bonds;

- such DTC participant has received and agrees to be bound by the terms and conditions of the Offer as set forth in this offering memorandum, including the representations and warranties set forth under "—Representations, Warranties and Undertakings relating to Tenders of Existing Bonds;" and

- the Republic may enforce such agreement against the DTC participant.

For your tender through DTC to be effective, the exchange agent must receive (i) an agent's message as described above no later than the Expiration Date, and (ii) a confirmation of the book-entry transfer of your Existing Bonds into the exchange agent's account at DTC no later than the Expiration Date.

Additional Information for Tenders Through Euroclear or Clearstream

If you hold Existing Bonds through Euroclear or Clearstream you may submit (if you are a direct participant), or arrange to have a direct participant submit on your behalf, an electronic letter of transmittal in accordance with the procedures established by Euroclear or Clearstream, as applicable, to participate in this Offer. Participants should refer to the respective notifications of Euroclear and Clearstream for detailed information regarding tender procedures.

Procedures for Submitting Tenders of Existing Bonds Held Through Any Other Clearing System

If you hold Existing Bonds through any other clearing system, you must follow the procedures established and deadlines required by such clearing system in order for your tender to be received by a Designated Clearing System prior to 4:15 P.M. (New York City time) on the Expiration Date. You may contact the information agent for assistance in effecting your tender in accordance with the applicable procedures and deadlines for such other clearing systems.

If You Hold Existing Bonds Through a Custodian or Other Securities Intermediary

If your Existing Bonds are held in the name of a custodian or other securities intermediary, such as a broker, dealer, bank, trust company or trustee, you must contact such custodian or other securities intermediary and instruct it to tender your Existing Bonds on your behalf. You should contact your custodian or other securities intermediary well in advance of the Expiration Date, since your custodian may have earlier deadlines by which it must receive your instructions in order to have adequate time to meet the deadlines of the clearing system through which your Existing Bonds are tendered.

Procedures for Submitting Letters of Transmittal in Luxembourg

If you are in Luxembourg, you may surrender Existing Bonds and submit your letter of transmittal by courier or hand delivery to the Luxembourg exchange agent at its address specified on the back cover of this offering memorandum. A form of letter of transmittal is attached to this offering memorandum as Annex A. The Luxembourg exchange agent will perform its duties with respect to tenders submitted in Luxembourg through its office located at the following address:

The Bank of New York (Luxembourg) S.A.
Aerogolf Center
1A Hoehenhof
L-1736 Senningerberg
Luxembourg
Telephone: (352) 2634-771

If you are in Luxembourg, you may contact the information agent at the address and phone number listed above for assistance in completing any of the tender procedures described in this offering memorandum.

Effectiveness of Tenders

For your tender of Existing Bonds to be effective:

(1) your duly completed electronic letter of transmittal must be received by the Designated Clearing System through which you tender your Existing Bonds no later than 4:15 P.M. (New York City time) on the Expiration Date;

(2) the Designated Clearing System through which you tender your Existing Bonds must deliver your duly completed electronic letter of transmittal to the exchange agent no later than the Expiration Date; and

(3) your tendered Existing Bonds must be transferred into the exchange agent's account at the Designated Clearing System through which you tender your Existing Bonds no later than the Expiration Date.

You and the Designated Clearing System through which you tender your Existing Bonds are responsible for arranging the valid and timely delivery of the electronic letter of transmittal to the exchange agent. None of the Republic, any dealer manager, the information agent, the Luxembourg exchange agent or the exchange agent will be responsible for the submission of tenders by:

- holders (or brokers, dealers, banks, trust companies, trustees or other custodians on their behalf) to direct participants in a Designated Clearing System;

- direct participants (whether on their own behalf or on behalf of holders who are not direct participants) to the Designated Clearing Systems; or

- the Designated Clearing Systems to the exchange agent.

Delivery of documents to a custodian, direct participant or clearing system (including the Designated Clearing Systems) does not constitute delivery to the exchange agent or the Luxembourg exchange agent and is not sufficient for an effective tender. The Republic can offer no assurance that any custodian, direct participant or clearing system (including the Designated Clearing Systems) will follow the procedures outlined above for purposes of effecting your tender of Existing Bonds, as these procedures are entirely within such parties' discretion.

If you are in Luxembourg and you choose to surrender Existing Bonds and submit a duly completed and validly executed letter of transmittal to the Luxembourg exchange agent, you must do so no later than 4:15 P.M. (New York City time) on the Expiration Date. Delivery of the letter of transmittal to any other person will not be considered in the Offer.

Irregularities

All questions regarding the validity, form and eligibility, including time of receipt or revocation or revision, of any tender of Existing Bonds, including any letter of transmittal, will be determined by the Republic in its sole discretion, which determination will be final and binding. The Republic reserves the absolute right to reject any and all tenders and letters of transmittal not timely made or in proper form or for which any corresponding agreement by the Republic to exchange would, in the opinion of the Republic's counsel, be unlawful. The Republic reserves the absolute right to waive any of the conditions of the Offer or defects in tenders and letters of transmittal. None of the Republic, the dealer managers or the exchange agent shall be under any duty to give notice to you, as the tendering bondholder, of any irregularities in any tender or letter of transmittal, nor shall any of them incur any liability for the failure to give such notice.

Withdrawal Rights

Any tender for exchange and the corresponding electronic letter of transmittal may be withdrawn for any reason, at any time prior to 4:15 P.M. (New York City time) on May 4, 2005. The Republic reserves the right, subject to applicable law, to terminate withdrawal rights in the event that it extends the Offer beyond May 4, 2005. If subsequent to the Expiration Date, the Republic modifies the terms of the Offer in a manner that it deems to be material, holders who have previously tendered Existing Bonds will have the right to withdraw those Existing Bonds. If the Republic extends the Expiration Date, it will be extended for a specific period of time.

In addition, if the Republic terminates the Offer without accepting any tenders for exchange, all tenders for exchange and letters of transmittal shall automatically be deemed to be withdrawn.

Procedures for Withdrawal of Tenders

You, or a direct participant on your behalf, may withdraw your tender by submitting an electronic withdrawal notice to the Designated Clearing System through which you submitted your tender. Upon receiving such instructions the Designated Clearing System will deliver a notice of withdrawal to the exchange agent, and the exchange agent will then instruct the Designated Clearing System to transfer the Existing Bonds you wish to withdraw to the direct participant's account at the clearing system.

If you hold your Existing Bonds through a custodian or other securities intermediary, you must instruct that custodian to arrange for the valid submission of an electronic withdrawal notice to the relevant Designated Clearing System.

If you are in Luxembourg, you may submit a written or facsimile transmission of notice of withdrawal to the Luxembourg exchange agent.

Any Existing Bond properly withdrawn will be deemed to be not validly tendered for purposes of the Offer.

The Republic can offer no assurance that any custodian, direct participant or clearing system (including the Designated Clearing Systems) will follow the procedures necessary to withdraw your tender, as these procedures are entirely within such parties' discretion.

Special Instructions for Withdrawal of Tenders Through DTC

If your tender was submitted through a direct participant in DTC, your electronic withdrawal notice must:

- specify the DTC Voluntary Offer Instruction Number, the name of the participant from whose account such Existing Bonds were tendered for exchange and such participant's account number at DTC to be credited with the withdrawn Existing Bonds;
- contain a description of the Existing Bonds to be withdrawn (including the principal amount in whole to be withdrawn); and

- be submitted through ATOP by the DTC participant in the same manner as the applicable agent's message, or be accompanied by evidence satisfactory to the Republic that the person withdrawing the tender has succeeded to the beneficial ownership of such Existing Bonds.

Term of Offer, Termination, Amendments and Conditions of the Offer

The Offer will expire at 4:15 P.M. (New York City time) on the Expiration Date, unless the Republic in its sole discretion extends it or terminates it earlier, in which case the Expiration Date means the latest date and time to which the Offer is extended.

The Republic will promptly announce any extension, amendment or termination of the Offer by publishing notices in compliance with the regulations of the Luxembourg Stock Exchange or through such other means of announcement as the Republic deems appropriate. It will, in all cases, be sufficient means of announcement to provide such notice to the following parties: the exchange agent, DTC, Euroclear, Clearstream and the fiscal agent for the Existing Bonds. The Republic will announce any such extension no later than 9:00 A.M. (New York City time) on the business day following the date of the previously scheduled Expiration Date.

At any time before the Expiration Date, the Republic may, in its sole discretion:

- terminate the Offer, including with respect to tenders submitted prior to the time of the termination;
- extend the Offer past the originally scheduled Expiration Date; or
- amend the Offer from time to time in any manner.

If the Offer is amended in a manner that the Republic determines constitutes a material change to the terms of the Offer described in this offering memorandum, the Republic will extend the Offer for a period of at least two business days, depending upon the significance of the amendment and the manner of disclosure to the holders, if the Offer would otherwise have expired during the relevant period. Any change in the consideration offered to holders of Existing Bonds pursuant to the Offer will be paid to all holders whose Existing Bonds have previously been tendered and not withdrawn pursuant to the Offer. There can be no assurance that the Republic will exercise its right to extend, terminate or amend the Offer.

The Republic will not be required to consummate the Offer or to issue any Exchange Bonds if any of the following conditions occurs:

- any general suspension of, or limitation on, trading in securities in the United States, including the over-the-counter market;
- a material impairment in the general trading market for debt securities;
- a commencement of a war, armed hostilities or other national or international crisis directly or indirectly relating to the Republic or the United States; or
- any material adverse change in political or economic conditions in the Republic or in securities or financial markets in the Republic, the United States or other international securities or financial markets generally.

The foregoing conditions are for the sole benefit of the Republic and may be waived by it in whole or in part.

If any of the foregoing conditions is not satisfied, the Republic may in its sole discretion:

- terminate the Offer at any time before or concurrently with the day before the Settlement Date and return all tendered Existing Bonds to the holders thereof without expense to the tendering holder as promptly as practicable following termination;

- modify, extend or otherwise amend the Offer and retain all tendered Existing Bonds at any time before or concurrently with the Expiration Date, as extended, of the Offer, subject, however, to the withdrawal rights of holders; or

- waive the unsatisfied conditions with respect to the Offer and accept all Existing Bonds tendered and not previously withdrawn.

The Republic reserves the right, in its absolute discretion, to repay, purchase or make offers to purchase any Existing Bonds that remain outstanding subsequent to the Expiration Date and, to the extent permitted by applicable law, purchase Existing Bonds in the open market, in privately negotiated transactions, tender offers, offers or otherwise. The terms of any such purchases or offers could be more or less favorable to the holders than the terms of the Offer.

Procedures Upon Rejection of Tenders

If any tendered Existing Bonds are not accepted for any reason, the unaccepted or non-exchanged Existing Bonds will be credited to an account maintained with the book-entry transfer on behalf of the holder promptly after the expiration or termination of the Offer.

Publication

The Republic will promptly announce any extension, amendment or termination of the Offer by publishing notices in compliance with the regulations of the Luxembourg Stock Exchange, by press release issued to Bloomberg News and the Reuters News Service or through such other means of announcement as the Republic deems appropriate. It will, in all cases, be sufficient means of announcement to provide such notice to the following parties: the exchange agents, DTC, Euroclear, Clearstream, and the fiscal agent for the Existing Bonds. You may obtain all such information by contacting the information agent. The Republic will announce any such extension no later than 9:00 A.M. (New York City time) on the business day following the date of the previously scheduled Expiration Date.

Upon satisfaction or waiver of all of the conditions to the Offer, all Existing Bonds properly tendered will be accepted, and the Exchange Bonds will be issued on the Settlement Date. For purposes of the Offer, Existing Bonds shall be deemed to have been accepted as validly tendered for exchange if and when the Republic has given written notice to the exchange agents. The Republic will promptly announce any such acceptance of validly tendered Existing Bonds by the method described in the preceding paragraph.

Notification in Luxembourg

On or prior to the commencement of the Offer in Luxembourg and in addition to the notices described elsewhere in this offering memorandum, the Republic will give notice in the *d'Wort* of such commencement setting forth:

Ø the period of time during which holders of such Existing Bonds may exchange such Existing Bonds for Exchange Bonds;

Ø the Luxembourg exchange agent for the Offer; and

Ø the ability of holders of Existing Bonds to receive documentation relating to such offers from the Luxembourg exchange agent.

After the Offer is completed, the Republic will notify the Luxembourg Stock Exchange and provide publication in an authorized newspaper of:

- Ø the amount of each series of the Existing Bonds exchanged in the Offer;
- Ø the amount of Exchange Bonds of each series issued in the Offer;
- Ø the day upon which the Offer the were closed; and
- Ø the CUSIP numbers, the ISIN numbers and Common Codes for each series of the Exchange Bonds.

Settlement

The Settlement Date for the Offer will be May 11, 2005 or as soon as practicable thereafter, unless the Offer is extended, in which case a new Settlement Date, if necessary, will be announced by press release.

On the Settlement Date:

- you, as the identified account holder, or DTC, Euroclear or Clearstream, on your behalf, as the case may be, must deliver to the Republic good and marketable title to your Existing Bonds, free and clear of all liens, charges, claims, encumbrances, interests, rights of third parties and restrictions of any kind; and

- in return you will receive, solely by credit to the DTC, Euroclear or Clearstream account in which your Existing Bonds being exchanged were held, the Exchange Bonds which you are entitled to receive pursuant to the Offer.

The determination by the Republic of the exchange ratios and any other calculation or quotation made with respect to the Offer shall be conclusive and binding on you, absent manifest error.

Agents of the Republic; Other Fees and Expenses

Exchange Agent

The Bank of New York has been appointed the exchange agent for the Offer. All correspondence in connection with the Offer should be sent or delivered by each holder of Existing Bonds, or a beneficial owner's commercial bank, broker, dealer, trust company or other nominee, to the exchange agent at the address and facsimile number set forth on the back cover page of this offering memorandum. The Republic will pay the exchange agent's customary fees for its services and will reimburse it for its out-of-pocket expenses in connection therewith.

Luxembourg Exchange Agent

The Bank of New York (Luxembourg) S.A. is the Luxembourg exchange agent for the Offer. The Republic will maintain such an agency until completion or termination of the Offer. In Luxembourg, all services in connection with the Offer, including but not limited to acceptance of the Offer, delivery of letters of transmittal and withdrawal of bonds tendered, are available through the Luxembourg exchange agent. You may contact the Luxembourg exchange agent for assistance in relation to the Offer.

Copies of this offering memorandum and the letter of transmittal will be available at the office of the Luxembourg exchange agent until completion or termination of the Offer. The address and facsimile numbers of the Luxembourg exchange agent is set forth on the inside back cover page of this offering memorandum.

Information Agent

D.F. King & Co., Inc. has been appointed as the information agent for the Offer and will receive customary compensation for its services. Questions concerning tender procedures and requests for additional copies of this offering memorandum or the letter of transmittal should be directed to the information agent at the address and telephone numbers set forth on the back cover page of this offering memorandum. Holders of Existing Bonds may also contact their commercial bank, broker, dealer, trust company or other nominee for assistance concerning the Offer.

Dealer Managers

The Republic has retained Morgan Stanley & Co. Incorporated and UBS Securities LLC, and their respective affiliates, to act as dealer managers in connection with the Offer. The Republic will pay a fee to the dealer managers for soliciting acceptances of the Offer. This fee will be based on the aggregate principal amount of the Existing Bonds exchanged in the Offer. The Republic will also reimburse the dealer managers for reasonable out-of-pocket expenses. The obligations of the dealer managers to perform these functions are subject to certain conditions. The Republic has agreed to indemnify the dealer managers against certain liabilities, including certain liabilities under U.S. federal securities laws. Questions regarding the terms of the Offer may be directed to the dealer managers at the address or telephone number set forth on the inside back cover page of this offering memorandum.

Affiliates of UBS Securities LLC have been advising us in connection with the restructuring negotiations of our commercial bank debt and our debt with the Paris Club.

Other Fees and Expenses

The Republic will bear the expenses of soliciting tenders of the Existing Bonds. The principal solicitation is being made by mail; additional solicitations may, however, be made by telegraph, facsimile transmission, telephone, e-mail or in person by the dealer managers and the information agent, as well as by officers and other employees of the Republic.

You will not be responsible for the payment of any fees or commissions to the exchange agent, the Luxembourg exchange agent, the trustees or fiscal agent for the Existing Bonds, the trustee for Exchange Bonds or the dealer managers. If you are a direct participant in DTC, Euroclear or Clearstream who is exchanging Existing Bonds, you will not be obligated to pay brokerage commissions or Dominican transfer taxes with respect to that tender, if any. If you hold Existing Bonds through a broker, dealer, commercial bank or financial institution, you should consult with that institution as to whether it will charge any fees for performing services in connection with the Offer.

Market for the Existing Bonds and Exchange Bonds

The Republic will cancel all Existing Bonds acquired by it pursuant to the Offer. Accordingly, the aggregate principal amount of each series of Existing Bonds will be reduced substantially if the Offer is consummated. This is likely to adversely affect the liquidity and market value of any Existing Bonds not tendered pursuant to the Offer. Existing Bonds not exchanged pursuant to the Offer will remain outstanding.

Each series of Exchange Bonds is a new issue of securities with no established trading market. The Republic has applied to list each series of the Exchange Bonds on the Luxembourg Stock Exchange. The Exchange Bonds are expected to be designated as eligible for trading in the PORTAL Market. However no assurance can be given as to the liquidity of the trading market for any series of the Exchange Bonds. The price at which each series of Exchange Bonds will trade in the secondary market is uncertain.

Governing Law and Jurisdiction

Each letter of transmittal submitted in a jurisdiction in which the Offer is being extended on the basis of this offering memorandum will be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. By submitting a letter of transmittal, you (and the direct participant on your behalf) irrevocably and unconditionally agree for the benefit of the Republic, the dealer managers, the information agent, the Luxembourg exchange agent and the exchange agent that the New York state or U.S. federal courts sitting in the Borough of Manhattan, The City of New York, are to have jurisdiction to settle any disputes which may arise out of or in connection with the Offer or any of the documents referred to in this offering memorandum and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

THE DOMINICAN REPUBLIC

Territory and Population

The Dominican Republic is located on the eastern two-thirds of the Caribbean island of Hispaniola, which lies between the islands of Cuba to the west and Puerto Rico to the east, and is situated approximately 670 miles southeast of Florida. Its territory covers an area of approximately 48,442 square kilometers, including a 1,600-kilometer coastline and a 275-kilometer land frontier that it shares with Haiti, which occupies the western portion of the island. The Dominican Republic's major cities are Santo Domingo de Guzmán (the nation's capital), Santiago de los Caballeros, La Vega, La Romana and Puerto Plata.

The Dominican Republic has a tropical maritime climate, with average annual temperatures of about 77 degrees Fahrenheit (equivalent to approximately 25 degrees Celsius), and only slight seasonal temperature variations throughout the year. The location of the Dominican Republic often puts it in the path of hurricanes that sweep the Caribbean region between the months of June and November. The occurrence of a major hurricane, and the threat of future hurricanes in the region, could adversely affect the Dominican economy.

The Dominican Republic's population of approximately 8.6 million is multi-racial and multi-cultural, with a predominant Spanish cultural influence. Approximately 36.4% of the population resides in rural areas. According to the most recent national census conducted in 2002, the population grew at an estimated average annual rate of 1.5% in the period from 1999 to 2002.

The Dominican Republic's adult literacy rate is approximately 84.4%. The education system consists of public and private schools that offer pre-school (ages 3-5), primary (ages 6-13), and secondary (ages 14-17) education. There is one public university in the country – the Autonomous University of Santo Domingo, founded in 1538 and the oldest university in the Western Hemisphere – and 33 private universities, which offer undergraduate programs lasting three to five years. The Autonomous University of Santo Domingo, and several private universities, also offer graduate programs that typically last one to two years. In addition, various private and public institutions offer vocational programs for students who have not completed their secondary education. In the 2001-2002 school year, approximately 85.6% of children aged 6 to 13 attended primary school, while enrollment at the secondary school level was approximately 56.1%. Approximately 10.5% of Dominicans pursued higher education during the 2001-2002 school year.

The World Bank classifies the Dominican Republic as a middle-income developing country. The following table sets forth comparative GNP figures and selected other comparative statistics for the periods indicated.

	Dominican Republic	Jamaica	Guatemala	El Salvador	Panama	Colombia	Costa Rica	Mexico	United States
Per capita GNP(1)	US$2,070.0	US$2,760.0	US$1,910.0	US$2,200.0	US$4,250	US$1,810.0	US$4,280.0	US$6,230.0	US$37,610.0
United Nations index of human development (world ranking)(2)	98.0	79.0	121.0	103.0	61.0	73.0	45.0	53.0	8.0
Life expectancy at birth (in years)(2)	67.2	75.7	65.5	70.1	74.9	71.8	77.6	73.6	77.3
Infant mortality (% of live births)(3)	32.0%	17%	36.0%	33.0%	19.0%	19.0%	9.0%	24.0%	7.0%
Adult literacy rate(3)	84.4%	87.6%	69.9%	79.7%	92.3%	92.1%	95.8%	90.8%(5)	99.0%(6)
% of population below the poverty line(4)	25.8%(7)	13.3%(5)	37.4%(6)	58%(6)	17.6%(6)	22.6%(6)	9.5%	26.3%	n.a.

(1) 2003 data. *Source*: World Bank
(2) 2002 data. *Source*: United Nations Development Program.
(3) 2002 data. *Source*: World Bank.
(4) The poverty line used in this offering memorandum is defined as an income of US$2 a day per capita per household, adjusted by differences in purchasing power.
(5) 1999 data.
(6) 2000 data.
(7) 1998 data.
n.a. = Not Available.

History, Government and Political Parties

History

Founded as a colony of Spain in 1492, the Dominican Republic was under Spanish rule until 1821, when it declared its independence from Spain. Following a month-long period of independence, the Dominican Republic was invaded by Haiti, which occupied the country until 1844. After successfully waging a battle for independence against Haiti, political factions within the Dominican Republic battled for control, and the country underwent various changes of government, including voluntary annexation to Spain in the l860s. Factional infighting continued until the United States occupied the country from 1916 to 1924. A democratic government established in 1924 was followed by the military dictatorship of Rafael Leonidas Trujillo, who ruled the Dominican Republic from 1930 until he was assassinated in 1961. A brief period of political instability followed during which the Dominican Republic was governed by a series of different factions and was subject to foreign military intervention under the auspices of the Organization of American States.

Juan Bosch, then leader of the *Partido Revolucionario Dominicano* (the Dominican Revolutionary Party, which we refer to in this offering memorandum as the "PRD"), and a reformist social-democratic politician, was elected president in 1962. In September 1963, the military, backed by the business elite and factions of the Dominican Catholic Church unhappy with Bosch's reformist orientation, deposed Bosch's government in favor of a civilian junta led by Donald Reid Cabral, a member of the country's business elite. The ruling junta soon became unpopular, and in April 1965, a civil-military coup attempted to return Bosch to power. The United States, propelled by fears of the spread of communism in the region, invaded the Dominican Republic four days after the attempted coup. Shortly thereafter, conservatives and PRD members signed an agreement that established a provisional government and called for new elections.

Conservative Joaquín Balaguer, of the center-right *Partido Reformista,* later transformed into the *Partido Reformista Social Cristiano* (the Christian Social Reform Party, which we refer to in this offering memorandum as the "PRSC"), was elected president in 1966. Balaguer governed for 12 years (1966-78) and went on to become a dominant political figure in the Dominican Republic for the next decades. Balaguer's administration was based on a compromise among the traditional agrarian and industrial elites, the rising urban middle class and the military. The United States supported Balaguer's administration, guaranteeing its stability. In 1978, Antonio Guzmán, of the PRD, was elected president. Guzmán was followed in 1982 by Salvador Jorge Blanco, also of the PRD.

In 1986, Balaguer regained the presidency and was reelected in 1990 and again in 1994 after defeating José Francisco Peña Gómez, of the PRD, in a hotly-contested election. Controversy surrounding the legitimacy of the reelection of Balaguer in 1994 and charges of election fraud led to a political compromise by which Balaguer agreed to shorten the term for which he was elected, from four to two years. This compromise also led to major constitutional reforms that, among other things, instituted pivotal changes in the electoral and judicial systems.

These changes secured the autonomy of the judiciary and enhanced the Dominican electoral process. For a description of the 1994 amendments to the Constitution, see "—Government."

In the 1996 presidential elections, Leonel Fernández, of the *Partido de la Liberación Dominicana* (the Dominican Liberation Party, which we refer to in this offering memorandum as the "PLD"), a party founded by Juan Bosch following his split from the PRD, defeated Peña Gomez as a result of an alliance with Balaguer and the PRSC. Fernández was succeeded as president in 2000 by Hipólito Mejía, of the PRD. Mejía held a controversial and unsuccessful reelection bid against Fernández in May 2004, in which Fernández was again elected president after obtaining 57% of the votes cast (followed by Mejía with 33.6% and PRSC candidate, Eduardo Estrella, with 8.7%). On August 16, 2004, Leonel Fernández was inaugurated as president for his second non-consecutive four-year term.

Government

The Dominican Republic is politically organized as a representative democratic government, and is geographically and administratively divided into 31 provinces and one national district, each with its own civil government. The 1966 Constitution, last amended in July 2002, provides for a presidential system of government in which national powers are divided among independent executive, legislative and judicial branches.

Executive power is exercised by the president, who appoints the cabinet, enacts laws passed by the legislative branch, and is the commander-in-chief of the armed forces. The president and vice president run for office on the same ticket and are elected by direct majority vote to one four-year term. Pursuant to the 2002 amendments to the Constitution, a president may be elected for only two consecutive terms. In addition, the 1994 constitutional amendments require that a second electoral round be held if the first round does not result in a majority vote for any one presidential candidate (a majority in the first round constitutes 50% plus one vote of the total votes cast). Presidential elections are held separately from legislative and municipal elections.

The legislative branch is composed of a 32-member Senate and a 150-member Chamber of Deputies, which together constitute the Congress. Each province and the *Distrito Nacional* (the National District of the capital city, Santo Domingo) is represented by one senator and two or more deputies, depending on the size of its population. Members of Congress are elected by popular vote to four-year terms, with congressional elections taking place in the middle of the presidential term. All congressional seats are up for election at the end of each four-year cycle. The next congressional elections will be held on May 16, 2006.

Most legislative initiatives originate with the executive power. In matters of monetary policy and banking law, legislative initiatives that do not originate with the Central Bank must be approved by a qualified majority of senators and deputies.

As a result of the 1994 constitutional reforms, the 16 members of the Supreme Court are appointed for life by the *Consejo Nacional de la Magistratura* (the National Council of the Judiciary), a body that was created solely for this purpose. The National Council of the Judiciary is composed of the President of the Republic, the president of the Senate, a senator from a political party different from that of the president of the Senate, the president of the Chamber of Deputies, a deputy from a party different from that of the president of the Chamber of Deputies, the president of the Supreme Court, and another Supreme Court judge appointed by the Supreme Court. The Supreme Court has sole jurisdiction over actions against the President, designated members of the cabinet and members of Congress. The Supreme Court may also hear appeals from lower courts. The Dominican judicial system is also composed of the following courts:

- Courts of First Instance, which have jurisdiction over all cases the jurisdiction of which is not expressly granted to other courts;

- Appeals Courts, which review judgments rendered by the Courts of First Instance; and

- Peace Courts, which handle a broad variety of minor cases.

In addition, specialized courts handle administrative, labor, traffic and land registration disputes. Under the 1994 constitutional amendments, lower court judges are appointed by the Supreme Court.

Political Parties

The principal political parties in the Dominican Republic are the PLD (democratic left), the PRSC (conservative) and the PRD (populist). The following is a brief explanation of the history and orientation of each principal party.

Partido de la Liberación Dominicana. The PLD has a democratic left social orientation and supports socially-oriented market policies. The PLD was founded by late former President Juan Bosch, who died in November 2001, after his split with the PRD. Its principal leaders are President Leonel Fernández, former presidential candidate Danilo Medina, and former Vice President Jaime David Fernández Mirabal. The PLD derives its political support primarily from the middle class and certain professional and intellectual circles.

Partido Reformista Social Cristiano. The PRSC is a conservative Christian democratic party that advocates free-market principles. Its principal leader, the late former President Joaquín Balaguer, died in July 2002. Other important leaders include Federico Antún Batlle, Johnny Jones and Victor Gómez Bergés. During the rule of President Balaguer, the PRSC established close ties with certain business sectors, particularly in the fields of industry and construction. Since President Balaguer's death, the PRSC has undergone a process of reorganization.

Partido Revolucionario Dominicano. The PRD is a populist party. Its principal leader, José Francisco Peña Gomez, died in 1998. Other important leaders include former President Hipólito Mejía, former Vice President Milagros Ortiz Bosch, party president Vicente Sánchez Baret and Rafael Suberví Bonilla. The PRD derives its political support primarily from the lower and lower-middle classes. The PRD holds an absolute majority in the Senate and is the largest party in the Chamber of Deputies.

The first Fernández administration (1996-2000) emphasized macroeconomic stability, modernization of the Dominican economy and of governmental institutions, economic and political integration with the Caribbean region and the global economy, strengthening of the judiciary, and modernization of the education system. In his current administration, Fernández faces considerable challenges to restore order to public finances and foster an economic recovery in the private sector following economic instability and a downturn in GDP growth in 2003. As part of his election platform, Fernández has promised to strengthen state institutions, improve banking supervision and regulation, improve public education, reform the justice system and combat corruption.

Congressional representation of each of the political parties since the most recent election is as follows:

	Senate		**Chamber of Deputies**	
	Seats	**%**	**Seats**	**%**
Partido Revolucionario Dominicano and allied parties(1)....	29	90.6%	72	48.0%
Partido de la Liberación Dominicana and allied parties(2)...	1	3.1	42	28.0
Partido Reformista Social Cristiano	2	6.3	35	23.3
Partido Popular Cristiano	–	–	1	0.7
Total	32	100.0%	150	100.0%

(1) Allies: *Partido de los Trabajadores Dominicanos, Partido de Unidad Nacional* and *Alianza Social Dominicana.*
(2) Allies: *Bloque Institucional Social Democrata, Fuerza Nacional Progresista* and *Alianza por la Democracia.*
Source: Congress of the Dominican Republic.

Foreign Policy and Membership in International and Regional Organizations

The Dominican Republic has not been involved in any significant international conflicts in recent years. This has allowed the country to focus its foreign policy principally on developing economic ties with other nations. The Dominican Republic maintains diplomatic relations with more than 73 countries and is a member of 17 regional and international organizations, including:

- the United Nations (founding member), including many of its specialized agencies;
- the Caribbean Forum of African, Caribbean and Pacific States;
- the Economic Commission for Latin America and the Caribbean;
- the Inter-American Development Bank (the "IDB");
- the Inter-American Investment Corporation;
- the IMF;
- the International Bank for Reconstruction and Development (the "World Bank");
- the International Centre for Settlement of Investment Disputes;

- the International Finance Corporation;
- the International Labour Organization;
- the Multilateral Investment Guaranty Agency;
- the Organization of American States; and
- the World Trade Organization (the "WTO").

The Dominican Republic joined the General Agreement on Tariffs and Trade (the "GATT") in 1950 and is a founding member of the WTO, which was established in January 1995. In addition, the Dominican Republic participates in several regional initiatives designed to promote trade and foreign investment. The most significant of these initiatives are the following:

- Since 1983, the Dominican Republic has been one of the 24 beneficiaries of the Caribbean Basin Initiative, a program of unilateral trade preferences granted by the United States and intended to promote economic development in the region. The Dominican Republic supplies approximately 25% of the products that enter the U.S. market under this trade program. In May 2000, the United States expanded its Caribbean Basin Initiative. The resulting U.S.-Caribbean Textile Parity Agreement (the "Textile Parity Agreement"), in effect until 2008, grants certain textiles and garments produced in the Dominican Republic and other Caribbean countries preferential access similar to that granted to products from Mexico and Canada under the North American Free Trade Agreement ("NAFTA"). On January 1, 2005, U.S. quotas on textiles from other countries were eliminated as a result of the termination of the WTO Agreement on Textiles and Clothing. This is expected to have a substantial adverse impact on Dominican exports to the United States. See "The Economy—Secondary Production—Manufacturing—Free Trade Zones."

- Since 1989, the Republic has been a party to the Cotonou Agreement (formerly known as the Lomé IV Agreement), pursuant to which the European Union offers economic cooperation and assistance to former colonies in Africa, the Caribbean and the Pacific. Under this agreement, the Dominican Republic benefits from donations, development loans and technical cooperation provided by the European Union.

- In 1994, the Republic participated in the establishment of the Association of Caribbean States, whose purpose is to promote regional economic integration and cooperation. Through its involvement in this association, the Republic has been able to establish dialogues and working relationships with its neighbors on a series of important issues, such as trade liberalization, tourism, disaster relief, transportation and foreign investment.

- In 1994, the Republic participated in the Summit of the Americas in Miami, which led to the establishment of the Free Trade Agreement of the Americas. This trade agreement seeks to create a free trade zone in the Western Hemisphere by the end of 2005, which, if implemented, would grant preferential treatment to Dominican goods and services exported to other member countries.

- In April 1998, the Republic signed a free trade agreement with the members of the Central American Common Market, which lowered tariffs and established trade rules in areas such as foreign investment, public procurement, rules of origin, customs procedures, safeguard measures, sanitary requirements, technical barriers to trade, unfair trade practices, promotion of competition, intellectual property and dispute resolution. This agreement was approved by the Dominican Congress in March 2001, and became effective for each of the signatory Central American countries once approved by their respective governments. In August 2002, Nicaragua was the last country to approve the agreement.

- In August 1998, the Republic signed a free trade agreement with the Caribbean Community ("Caricom") covering areas similar to those addressed by the free trade agreement with the Central

American Common Market. This agreement was approved by the Dominican Congress in February 2001 and took effect for three of the five principal member states (Trinidad and Tobago, Jamaica and Barbados) on December 1, 2001. Guyana and Surinam have not yet approved the agreement.

The *Secretario de Relaciones Exteriores* (the Ministry of Foreign Relations) is the governmental body responsible for conducting trade negotiations. In March 2004, the Republic concluded the Dominican Republic – Central America Free Trade Agreement ("DR-CAFTA") with the United States, which is modeled on the Central America Free Trade Agreement that is in place between several Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and the United States. The DR-CAFTA will increase the percentage of Dominican exports to the United States that will be free of tariffs from 91% to 99.7%. The DR-CAFTA is awaiting ratification by the Dominican Congress and the U.S. Congress. In addition, the Republic is currently negotiating a bilateral trade agreement with Panama and intends to initiate negotiations with Venezuela and Canada. We cannot assure you that the DR-CAFTA or other pending bilateral agreements will be ratified or implemented.

The Republic has also worked closely with the World Bank and the IDB to promote economic development. Currently, these multilateral organizations are financing several projects in the Republic in areas such as education, agriculture, public sector reform, transportation, telecommunications, disaster relief, public health, environmental reform and financial sector reform. The aggregate amount of the loans extended by the World Bank and the IDB for these outstanding projects is approximately US$1.1 billion.

In January 2005, the IDB approved a 20-year, US$37 million loan aimed at improving living conditions in marginalized communities, including the development of basic infrastructure, such as drinking water, sewers, drainage ditches, streets and lighting. The facility includes the possibility of borrowing an additional US$63 million loan for related second-phase projects. The Republic is also currently negotiating the terms of a US$150 million loan from the World Bank aimed at alleviating the financial problems in the electricity sector.

Litigation involving the Republic

The Dominican Republic is currently a defendant in the following three cases before international tribunals:

- *WTO Proceedings by Honduras Alleging Violations of GATT.* In October 2003, Honduras initiated dispute settlement proceedings at the WTO, claiming the Republic's application of certain laws and regulations violate the GATT as applied to several Honduran imports. The complaint included objections to:

  - a temporary surcharge that was in effect in 2004 as part of the Fernández administration's tax reform package to increase tax revenues;

  - a foreign exchange commission assessed on the value of imports; and

  - several different practices affecting imports of Honduran cigarettes, including requirements regarding stamp taxes, alleged procedural abuses in the administration of taxes on cigarettes and requirements that Honduran exporters to the Republic post bonds guaranteeing payment of taxes.

  In November 2004, a WTO panel ruled against the Republic and recommended that the Republic remedy its violations to conform with the GATT. The Dominican Republic appealed the decision in January 2005, and the WTO appellate body has not yet ruled on the case. If the Republic is unsuccessful on appeal, the Government may face sanctions if it does not stop collecting the foreign exchange commission on imports from Honduras. This commission is a significant source of the Republic's tax revenue. See "Public Sector Finances—Tax Regime."

- *Cayman Power Barge I, Ltd. vs. Dominican Corporation of State Electricity Companies (CDEEE).* In November 2001, the company Cayman Power Barge I, Ltd. initiated proceedings against the *Corporación Dominicana de Empresas Eléctricas Estatales* (Dominican Corporation of State Electricity Companies, "CDEEE") in the International Court of Arbitration. Cayman Power Barge, a power generator, seeks monetary damages for an alleged failure by CDEEE to pay amounts owed under a power purchase agreement. The arbitral tribunal has not yet decided the case.

- *Smith-Enron Cogeneration Partnership vs. CDEEE.* In June 2002, Smith-Enron Cogeneration Partnership initiated proceedings against CDEEE with the International Court of Arbitration. Smith-Enron Cogeneration Partnership, a power generator, seeks monetary damages for CDEEE's failure to pay amounts owed under a power purchase agreement between the parties for the sale of electricity to CDEEE. The case was suspended by the arbitral tribunal at the request of the parties in August 2004. CDEEE and Cayman Power Barge are currently in settlement talks.

Relations with Haiti

The Dominican Republic generally maintains friendly relations and close ties with Haiti. The two countries have entered into several bilateral agreements in areas of mutual interest such as immigration, reforestation of the border region, agriculture and livestock and education. In addition, Haiti and the Dominican Republic are seeking to develop free trade zones on the Dominican Republic-Haiti border. On April 8, 2002, the Presidents of these two countries inaugurated the first free trade zone on that border.

National and international agencies estimate that approximately 500,000 Haitians currently live in the Dominican Republic. This population is generally comprised of three distinct subgroups: seasonal agricultural workers; undocumented immigrants; and political refugees. Most Haitians living in the Dominican Republic are undocumented, and illegal immigration occasionally becomes a source of tension between the two countries.

Although the Government has not made any explicit commitment towards Haitian immigrants in terms of healthcare, education or social security, the Haitian population in the Dominican Republic generally benefits from the Government's social services, particularly with respect to healthcare. Additionally, the Government seeks to improve living conditions in the *bateyes,* which are communities within the sugar cane areas that are inhabited principally by Haitian immigrants.

Haitians in the Dominican Republic work mainly in the construction and agricultural sectors. The Haitian labor force is generally comprised of unskilled workers earning low wages. The increased availability of low-wage Haitian workers may have an adverse effect on the living conditions of low-wage Dominican workers, with whom they compete.

THE ECONOMY

History and Background

In the 1930s and after the end of World War II, many countries in Latin America pursued policies of industrialization through import substitution. These policies were based on the following tenets:

- state intervention in the economy through the creation of barriers to protect domestic production from foreign competition and through the expansion of state-owned enterprises that provided large numbers of jobs;

- protection of certain local industries; and

- broadening of domestic markets.

The policies of import substitution took place in the Dominican Republic approximately between 1945 and 1985. During this period, the Government promoted industrialization primarily through fiscal incentives and investments in infrastructure. The Dominican economy expanded through growth in several industry sectors, improvements in education and increased government spending. This economic expansion, in turn, led to opportunities for upward social mobility and the rise of an urban middle class. At the same time, the urban working class expanded due to rural-urban migration.

In the late 1970s and 1980s, import substitution policies based on fiscal incentives to local industries generated significant structural economic weaknesses. These policies limited fiscal revenues and reduced productivity growth. The results were:

- fiscal deficits;

- current account deficits; and

- low economic growth as a result of limited domestic markets and lower productivity.

The oil crisis in 1979 exacerbated these fiscal and current account imbalances. The situation deteriorated further with the decline in prices of Dominican export commodities and a worldwide recession. The Dominican Republic, along with most other Latin American economies, plunged into a debt crisis that led to a shift in development policies.

In the mid-1980s, the Government adopted policies to increase exports and improve the fiscal balance. Liberalization of the exchange rate, combined with the imposition of new taxes, contributed to the improvement of the external accounts and the fiscal balance. The dynamism in tourism and export manufacturing in industrial parks called *zonas francas*, or "free trade zones," stimulated economic growth, employment and income. For a description of the free trade zones, see "—Secondary Production—Manufacturing." Workers' remittances also increased dramatically during the 1980s, becoming one of the Republic's main sources of foreign currency. By the late 1980s, however, high government spending on infrastructure projects (principally roads, highways, dams and tourism facilities) resulted in a public sector deficit which was domestically financed, and, in turn, resulted in an increase in inflation.

In 1990, the Government successfully implemented stabilization and economic reforms that resulted in a fiscal balance, and created the internal conditions for rapid and sustainable economic growth and price stability. The central elements of the Government's economic policy consisted of a series of structural reforms, including tariff, tax, financial and labor reforms, gradual adjustments in the price of oil and oil derivatives, interest rate liberalization and improved banking supervision. On the basis of these policies, the IMF and the Republic agreed on two stand-by loan arrangements.

The Government implemented further reforms in 1995, when the Dominican Congress passed a foreign investment law that dismantled various restrictions on foreign direct investment. Those restrictions had included:

- a ban on foreign investments in certain sectors of the economy; and
- a limit on the profits that foreign investors could repatriate.

The 1995 foreign investment law also ensured the equal treatment of investors regardless of nationality, by eliminating requirements such as the need to obtain Central Bank approval before profits could be repatriated.

The various reforms that the Government adopted during the 1990s succeeded in curbing inflation and restoring growth, in part by controlling the expansion of public sector expenditures, reducing state intervention in the economy, increasing the competitiveness of the Dominican economy and rationalizing the Government's fiscal and monetary policies. Additionally, economic growth, higher employment, stable prices and rising real wages led to modest improvements in income distribution and a decline in poverty. During the 1990s the Republic's real GDP grew at an average annual rate of 5.8%, which placed it among the fastest growing economies in Latin America.

1999-2002 Developments

During the period from 1999 to 2002, the Dominican economy experienced mixed results. In 1999 and 2000 the Republic's real GDP grew at an average annual rate of 8.1%, continuing the trend of robust growth experienced earlier in the 1990s. The economic growth was primarily attributable to:

- the growth in capital investment; and
- increased productivity due to increased efficiency resulting from the structural reforms that the Government implemented in the 1990s.

During the period from 2001 to 2002, however, the Dominican economy's growth began to decrease as a result of several external shocks, including:

- the aftermath of the terrorist attacks of September 11, 2001;
- the economic slowdown in the United States and the member countries of the European Union, leading to weakened external demand for the export of Dominican goods and services;
- the depreciation of the euro; and
- an increase in oil prices in the last quarter of 2000 and in 2002.

Several sectors of the Dominican economy that had contributed significantly to the country's growth during the 1990s slowed as a result of these shocks and the consequent reduction in demand, including:

- the tourism sector, which exhibited a growth rate during the period from 2000 to 2002 of 4.4% – markedly below its average annual growth rate of 9.6% during the 1990s;
- the free trade zones, which contracted by 2.6% during the period from 2000 to 2002, as compared to an average annual growth rate of 7.3% during the 1990s;
- the construction sector, which has historically constituted approximately 12% of total GDP, contracted by 8.6% in 2003 after growing at an annual average rate of 6.8% from 1999 to 2002; and
- wholesale and retail trade, which primarily as a result of falling consumer confidence, contracted by 13.7% in 2003 after growing at an average annual rate of 5.9% over the previous four-year period.

The Economic Crisis

Beginning in 2003, the Dominican economy experienced severe setbacks that led to a broad-ranging crisis. The economic crisis was precipitated by the collapse of BanInter, the country's second largest commercial bank in terms of deposits, in May 2003. BanInter was taken over by the Banking Superintendency in response to accusations of fraud and losses of approximately US$2.5 billion (equivalent to 15.0% of the Republic's GDP in 2002 and approximately two-thirds of the Government's 2003 budget). The losses resulted from the bank's collapse following public accusations that executives of the bank had been involved in broad schemes of embezzlement, illegal loans and debt write-offs, and underreporting of liabilities to Dominican banking authorities for several years.

With public confidence in the banking system severely eroded, many depositors withdrew their deposits from banks, causing two other private domestic banks, Bancrédito and Banco Mercantil, to experience liquidity crises and near collapse that resulted from runs on the banks' deposits. The Central Bank provided liquidity assistance to Bancrédito and Banco Mercantil amounting to approximately DOP5.9 billion (US$194.9 million). Both banks were suspected of fraud and mismanagement, and their assets were acquired later in 2003 by other private banks.

The Government financed the costs of the banking crisis, guaranteeing deposits and honoring interbank liabilities domestically and abroad. In order to cover the costs of this bailout, the Central Bank relaxed its monetary policy, increasing the money supply as it financed lost deposits. This led to an increase in inflation, a depreciation of the peso and an increase in domestic real interest rates.

The broader deterioration of the Dominican economy provoked by the banking crisis included, among others, the following effects:

- a decrease in real GDP, which fell 1.9% in 2003 as compared to 2002;
- a substantial increase in the non-financial public sector deficit, which increased from US$499.9 million (2.3% of GDP) in 2002 to US$750.9 million (4.5% of GDP) in 2003;
- a loss of confidence in the banking sector and the Republic's financial system generally, resulting in capital flight;
- a substantial reduction in the levels of the Central Bank's net international reserves, which fell 67.1% from approximately US$376.0 million at December 31, 2002 to US$123.6 million at December 31, 2003, as the Central Bank defended the peso by selling international reserves and purchasing local currency;
- a sharp depreciation of the peso, which fell from a weighted average in 2001 of DOP16.89 per dollar, to DOP30.27 per dollar in 2003;
- an increase in domestic real interest rates as a result of open-market operations by the Central Bank to curb inflation, leading to a 50% increase in public debt;
- social unrest as economic conditions deteriorated and labor strikes and street demonstrations became prevalent;
- an increase in the unemployment rate from 16.1% in 2002 to 17.0% in 2003; and
- growing poverty, with the percentage of Dominicans living in poverty increasing to 62% in 2003, as compared to 54% in 2000.

The economic crisis gave rise to social unrest and decreased public support for the Mejía administration in the period leading up to the May 2004 presidential election. As economic conditions deteriorated, labor strikes and demonstrations became prevalent, and the Government's response, which included the arrest of activists and union leaders, provoked further social instability and political uncertainty that continued in 2004.

As a result of significant pressure on the peso and concerns of further economic deterioration, the Republic requested the assistance of the IMF and agreed to a US$600 million financing program in August 2003. As part of the program, the Government agreed to a package of economic reforms and political measures designed to strengthen the country's financial system, public finances and the Central Bank's monetary policy. The IMF suspended the facility in September 2003, after the Government deviated from the economic program agreed to with the IMF in connection with the stand-by facility by re-purchasing two electrical distribution companies from Spanish company Unión Fenosa that had previously been privatized by the Mejía administration. See "—Privatization and Role of the State in the Economy—Privatization" and "Public Sector Debt—Debt Owned to Official Institutions—IMF."

In 2003, the economic crisis negatively affected the Government's fiscal receipts and liquidity, resulting in arrears on public sector external debt owed to multilateral institutions, bilateral creditors (both Paris Club and non-Paris Club members), private banks and suppliers. As of September 30, 2004, total arrears on public sector external debt amounted to approximately US$332.8 million.

While the economy as a whole contracted by 1.9% in 2003 compared to 2002, the free trade zone sector grew by 3.5% and the tourism sector grew 4.6%, primarily because the weakened peso led to cheaper exports and tourism costs, which increased external demand for these goods and services.

Recent Developments

During 2004, the performance of the Dominican economy and the Government's public sector finances were adversely affected by the ongoing economic crisis and by the uncertainty surrounding the presidential election that was held in May 2004. High oil prices also had a negative effect in 2004. In the fourth quarter of 2004, the Dominican economy showed signs of improvement, as some economic and financial indicators suggested the beginning of a rebound compared to the first three quarters of the year.

The fiscal balance deteriorated during the first nine months of 2004, improving slightly in the third quarter. The fiscal deficit grew as a result of the depreciation of the peso, inflation, high petroleum prices and electricity and natural gas subsidies. The fiscal gap of the non-financial public sector remained at US$250 million in the last quarter of 2004.

The following are selected preliminary economic and financial results (which are subject to adjustment, revision or reconciliation) for 2004:

- real GDP increased by 1.9%, as compared with 2003;
- the peso depreciated against the dollar by 28.0% in the first six months of 2004 and appreciated by 39.0% in the last six months. At December 31, 2004, the DOP/US$ exchange rate was DOP29.50 per US$1.00;
- the Central Bank's net international reserves totaled US$602.2 million as of December 31, 2004, as compared to US$123.6 million as of December 31, 2003;
- inflation declined to 28.7% in 2004, as compared to 42.7% in 2003. The decrease in inflation during 2004 principally reflected the 39.0% appreciation of the peso during the second half of 2004, which partially offset an increase in the price of gasoline and other petroleum-based products, as well as an increase in the average electricity tariff;
- at December 31, 2004, approximately US$50.0 million of the Government's public sector external debt due to commercial banks was in arrears; and

- the nominal domestic interest rate on deposits of the banking sector was 21.3% at December 31, 2004, as compared to 19.8% at December 31, 2003.

On April 16, 2004, the Republic concluded an agreement with the Paris Club that rescheduled US$193 million of indebtedness owed to Paris Club member countries. The Republic obtained extensions in the maturity of its Paris Club indebtedness that was originally payable during 2004 and rescheduled approximately US$38 million of arrears owed as of December 31, 2003. The rescheduling reduced the debt owed to Paris Club creditors in 2004 from US$479 million to US$293 million. As a condition to the Paris Club restructuring, the agreement required that the Republic seek comparable treatment from non-Paris Club bilateral and private creditors.

On February 1, 2005, the IMF approved the new two-year 2005 IMF Stand-By Arrangement of approximately US$665.2 million, which was based on the Fernández administration's commitment to macroeconomic stabilization and structural reforms in the fiscal, monetary, financial and electricity sectors. The Government's economic plan agreed to with the IMF contemplates a restructuring of external public sector debt to achieve cash flow relief in the Republic's debt service obligations in 2005 and 2006 and to close estimated financing gaps of US$327 million in 2005 and US$637 million in 2006.

As an additional component of the Republic's economic program with the IMF, the Government has committed to issue three series of bonds on the local market in the following amounts:

- DOP1.9 billion to redeem outstanding domestic Government bonds and to eliminate excess liquidity created by the Central Bank's loose monetary policy during the economic crisis in 2003;

- DOP2.6 billion to finance the clearance of arrears on domestic debt owed by the Government to the private sector; and

- DOP3.8 billion to capitalize the Central Bank and the state-owned *Banco de Reservas*.

The Economic Policies of the Fernández Administration

The Fernández administration has established the following objectives for its economic policy:

- promoting macroeconomic and structural policies aimed at stabilizing prices and ensuring the resumption of sustained growth;

- containing government spending and increasing fiscal revenue;

- formulating a debt restructuring and liability management program to overcome the Government's financing gap and liquidity constraints;

- strengthening the financial system to improve the operating sufficiency, transparency and efficiency of domestic banks;

- improving the efficiency of the electricity sector to ensure its financial viability; and

- increasing the independence and accountability of the Central Bank and other government institutions in the financial sector.

These policy objectives form the basis for the various economic reforms and initiatives that the Fernández administration has pursued since it assumed office in August 2004, which include, among others:

- the 2005 IMF Stand-By Arrangement that extends a credit line of up to approximately US$665.2 million through May 2007 (see "Public Sector Debt—External Debt—IMF");

- tax reform designed to increase tax revenues and improve the fiscal balance, including an increase in the value-added tax, higher tax rates on luxury goods and a new 10% tax on telecommunications services (see "Public Sector Finances—Tax Regime");

- adoption of regulations to improve the governance and supervision of the Republic's banking sector and monetary and financial system (see "The Monetary System—Supervision of the Financial System—Post-Crisis Reforms of the Financial System");

- the negotiation and signing of a free trade agreement with the U.S. (see "The Dominican Republic—Foreign Policy and Membership in International and Regional Organizations" and "Balance of Payments and Foreign Trade—Foreign Trade");

- the launch of a new food assistance program, *Comer es Primero* (Eating is First); and

- the establishment of a new system for identifying public aid beneficiaries.

As part of its economic stabilization and reform agenda, the Fernández administration has introduced measures to improve the Government's fiscal health, including:

- a central government hiring freeze;

- measures to eliminate government subsidies on propane gas for industrial and commercial use; and

- limiting government subsidies for electricity consumption to families that consume less than 200 kilowatts of electricity per month, in conjunction with formulating a plan to reform the electricity sector.

In addition, to mitigate the negative impact of the internal shocks that have affected the Republic's economy since 2003, the Central Bank recently implemented a more restrictive monetary policy to minimize inflation and the depreciation of the peso against the U.S. dollar.

Gross Domestic Product and Structure of the Economy

The Dominican economy is driven primarily by private consumption, private sector investment and exports. In particular, private consumption accounted for approximately 57.5% of GDP at September 30, 2004, compared to government consumption of 8.6% of GDP. Private investment was approximately 14.9% of GDP while public sector investment accounted for approximately 8.4% of GDP.

The following tables set forth GDP by expenditure for the periods indicated.

Gross Domestic Product by Expenditure

(in millions of US$ and as a % of total GDP at current prices)(1)

	1999		2000		2001		2002(2)		2003(2)		For the nine months ended September 30, 2003(2)		For the nine months ended September 30, 2004(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Government consumption	1,533.7	8.8	1,656.9	8.4	1,944.5	9.0	2,026.9	9.3	1,424.5	8.6	1,052.0	9.6	1,170.1	10.9
Private consumption	12,944.3	74.4	15,425.5	77.9	16,495.4	76.1	16,680.2	76.8	11,424.1	68.7	7,105.6	64.7	6,195.8	57.5
Total consumption	14,477.9	83.2	17,082.5	86.2	18,439.9	85.1	18,707.1	86.2	12,848.6	77.3	8,157.6	74.3	7,365.9	68.3
Gross investment:														
Public sector	1,009.4	5.8	858.3	4.3	1,454.5	6.7	1,469.1	6.8	1,399.6	8.4	932.3	8.5	828.9	7.7
Private sector	3,201.1	18.4	3,853.0	19.5	3,505.2	16.2	3,472.3	16.0	2,482.2	14.9	1,950.2	17.8	2,259.4	21.0
Total gross investment	4,210.5	24.2	4,711.3	23.8	4,959.7	22.9	4,941.3	22.8	3,881.8	23.4	2,882.5	26.2	3,088.3	28.7
Exports of goods and services	7,982.9	45.9	8,889.8	44.9	8,356.6	38.6	8,195.2	37.7	8,808.8	53.0	6,717.7	61.2	6,941.0	64.4
Imports of goods and services	(9,278.8)	(53.4)	(10,869.1)	(54.9)	(10,076.0)	(46.5)	(10,129.0)	(46.7)	(8,912.9)	(53.6)	(6,774.7)	(61.7)	(6,614.9)	(61.4)
Net exports (imports)	(1,295.8)	(7.5)	(1,979.3)	(10.0)	(1,719.4)	(7.9)	(1,933.8)	(8.9)	(104.1)	(0.6)	(57.1)	(0.5)	326.1	3.0
GDP	17,392.6	100.0	19,814.5	100.0	21,680.2	100.0	21,714.6	100.0	16,626.3	100.0	10,983.0	100.0	10,780.3	100.0

(1) Based on the weighted average exchange rate for each year.
(2) Preliminary data.
Source: Central Bank

Gross Domestic Product by Expenditure

(in millions of DOP and as % change from previous year, at current prices)

	1999		2000		2001		2002(1)		2003(1)		For the nine months ended September 30, 2003(1)		For the nine months ended September 30, 2004(1)	
	DOP	%	DOP$	%	DOP	%	DOP	%	DOP	%	DOP	%	DOP	%
Government consumption	24,569.3	18.8	27,140.5	10.5	32,847.1	21.0	37,564.1	14.4	43,121.9	14.8	29,334.4	11.3	53,042.6	80.8
Private consumption	207,366.8	11.3	252,670.4	21.8	278,648.3	10.3	309,129.8	10.9	345,822.9	11.9	198,132.7	5.6	280,857.8	41.8
Total consumption	231,936.1	12.1	279,810.9	20.6	311,495.4	11.3	346,693.9	11.3	388,944.8	12.2	227,467.1	6.3	333,900.4	46.8
Gross Investment:														
Public sector	16,171.0	0.9	14,059.3	(13.1)	24,569.6	74.8	27,225.5	10.8	42,368.3	55.6	25,996.5	21.3	37,574.0	44.5
Private sector	51,281.7	25.8	63,111.9	23.1	59,212.0	(6.2)	64,351.1	8.7	75,138.3	16.8	54,378.6	21.8	102,418.9	88.3
Total gross investment	67,452.7	18.8	77,171.2	14.4	83,781.6	8.6	91,576.6	9.3	117,506.6	28.3	80,375.1	21.6	139,992.9	74.2
Exports of Goods and Services	127,886.6	12.4	145,615.7	13.9	141,164.5	(3.1)	151,880.0	7.6	266,655.9	75.6	187,315.3	69.5	314,640.8	68.0
Imports of Goods and Services	(148,645.9)	9.6	(178,036.1)	19.8	(170,209.4)	(4.4)	(187,718.2)	10.3	(269,807.2)	43.7	(188,907.0)	37.8	(299,858.0)	58.7
Net Exports (Imports)	(20,759.3)	(4.7)	(32,420.5)	56.2	(29,044.8)	(10.4)	(35,838.2)	23.4	(3,151.4)	(91.2)	(1,591.6)	(94.0)	14,782.8	(1,028.8)
GDP	278,629.6	15.1	324,561.6	16.5	366,232.1	12.8	402,432.4	9.9	503,300.0	25.1	306,250.6	20.8	488,676.1	59.6

(1) Preliminary data.
Source: Central Bank.

Gross Domestic Product by Expenditure

(in millions of DOP and as % change from previous year, at constant 1970 prices)

	1999		2000		2001		2002[(1)]		2003[(1)]		For the nine months ended September 30, 2003[(1)]		2004[(1)]	
	DOP	%	DOP	%	DOP	%	DOP	%	DOP	%	DOP	%	DOP	%
Government consumption	588.2	6.1	509.9	(13.3)	586.1	14.9	628.7	7.3	667.9	6.2	490.9	5.5	532.2	8.4
Private consumption	3,979.8	3.4	4,465.4	12.2	4,585.5	2.7	4,923.7	7.4	4,310.9	(12.4)	2,825.0	(15.5)	2,789.3	(1.3)
Total consumption	4,567.9	9.5	4,975.3	(1.1)	5,171.6	17.6	5,552.4	14.7	4,978.8	(6.2)	3,315.9	(10.0)	3,321.5	7.1
Gross investment:														
Public sector	527.9	(5.6)	429.9	(18.6)	697.1	62.2	721.9	3.6	777.8	7.8	515.4	(11.0)	379.1	(26.4)
Private sector	1,570.0	21.9	1,810.3	15.3	1,587.8	(12.3)	1,615.6	1.8	1,267.7	(21.5)	979.4	(12.9)	1,001.6	2.3
Total gross investment	2,097.9	13.5	2,240.2	6.8	2,284.9	2.0	2,337.4	2.3	2,045.5	(12.5)	1,494.8	(12.3)	1,380.7	(7.6)
Exports of goods and services	2,989.3	6.6	3,180.3	6.4	2,950.5	(7.2)	2,850.0	(3.4)	3,072.4	7.8	2,508.6	7.9	2,595.1	3.4
Imports of goods and services	(3,488.5)	4.0	(3,727.6)	6.9	(3,496.5)	(6.2)	(3,523.3)	0.8	(3,015.2)	(14.4)	(2,330.7)	(14.8)	(2,240.6)	(3.9)
Net exports (imports)	(499.1)	(9.1)	(547.3)	9.6	(546.0)	(0.2)	(673.3)	23.3	57.2	(108.5)	177.9	(143.4)	354.5	99.3
Real GDP	6,166.7	8.1	6,668.2	8.1	6,910.5	3.6	7,216.6	4.4	7,081.5	(1.9)	4,988.5	(2.2)	5,056.7	1.4

(1) Preliminary data.
Source: Central Bank.

From 1999 to 2002, the growth of the Dominican economy was primarily attributable to the following factors:

- the growth in capital investment, principally in:
  - Ø construction of tourism facilities, infrastructure projects and residential homes;
  - Ø machinery and equipment used by businesses in sectors such as manufacturing (including the free trade zones), construction and communications, among others; and
  - Ø improvements in technology and growth in the existing capital stock of the country that increased employment and raised worker productivity; and
- increased productivity due to increased efficiency resulting from the structural reforms that the Government implemented in the 1990s.

During this period, the Dominican economy experienced an increase in total gross investment, primarily as a result of increased investment in the private sector.

Beginning in 2003, certain GDP components deteriorated as part of the economic crisis, including the following:

- private consumption and capital investment decreased substantially; and
- domestic investment as a percentage of GDP decreased slightly from 24.2% of GDP in 1999 to 23.3% of GDP in 2003, principally as a result of the domestic economic slowdown.

During the first nine months of 2004, domestic investment increased to 28.6% of GDP, reflecting a relative improvement in domestic investor confidence.

The following table sets forth investment and savings in U.S. dollars and as a percentage of total GDP at current prices for the periods indicated.

Investment and Savings
(in millions of US$ and as a % of total GDP at current prices)

	1999		2000		2001		2002(1)		2003(1)		For the nine months ended September 30, 2003(1)		2004(1)	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Domestic investment	4,210.5	24.2	4,711.3	23.8	4,959.7	22.9	4,941.3	22.8	3,881.8	23.3	2,882.5	26.2	3,088.3	28.6
Domestic savings:														
Public savings	715.9	4.1	507.3	2.6	900.1	4.2	1,003.5	4.6	595.7	3.6	482.6	4.4	438.1	4.1
Private savings	3,071.7	17.7	3,080.7	15.5	3,270.7	15.1	3,113.0	14.3	4,094.2	24.6	2,890.4	26.3	3,770.1	35.0
Total domestic savings	3,787.7	21.8	3,587.9	18.1	4,170.8	19.2	4,116.5	19.0	4,689.9	28.2	3,373.1	30.7	4,208.2	39.0
External savings	429.1	2.5	1,067.2	5.4	740.8	3.4	797.9	3.7	(1,035.8)	(6.2)	(660.7)	(6.0)	(1,263.2)	(11.7)
Total savings	4,216.8	24.2	4,655.1	23.5	4,911.6	22.7	4,914.4	22.6	3,654.1	22.0	2,712.3	24.7	2,945.0	27.3

(1) Preliminary data.
Source: Central Bank.

Domestic savings generally declined between 1999 and 2002 due to external shocks that affected the economy during this period. In 2003 and the first nine months of 2004, domestic savings, particularly private savings, increased significantly due to a reduction in demand for imports that was led by the depreciation of the peso.

During the period from 1999 to 2002, economic growth and increased employment led to an improvement in the well-being of the population, as reflected in generally rising per capita GDP and per capita income, with a slight dip in 2002. In 2003, the economic crisis led to a significant drop in per capita GDP and per capita income to pre-1999 levels. In 2004, these levels increased but remained below per capita income levels recorded since 2000.

The following table sets forth annual per capita GDP and per capita income in U.S. dollars for the years indicated.

Per Capita GDP(1) and Per Capita Income(2)
(in US$ at current prices)(3)

	1999	2000	2001	2002(4)	2003(4)	2004(4)
Per capita GDP	2,142.8	2,398.1	2,577.5	2,536.0	1,907.4	2,102.2
Per capita income	2,250.4	2,501.7	2,688.1	2,665.5	2,012.1	2,231.3

(1) Without adjustment to reflect changes in purchasing power.
(2) Per capita national disposable income, which is equal to GDP plus net investment and financial income from abroad plus foreign remittances divided by the country's population.
(3) Based on the weighted average exchange rate for each year.
(4) Preliminary data.
Source: Central Bank.

Principal Sectors of the Economy

At September 30, 2004, the principal economic activities in the Dominican Republic are:

- manufacturing;
- agriculture and livestock;
- wholesale and retail trade;
- construction;

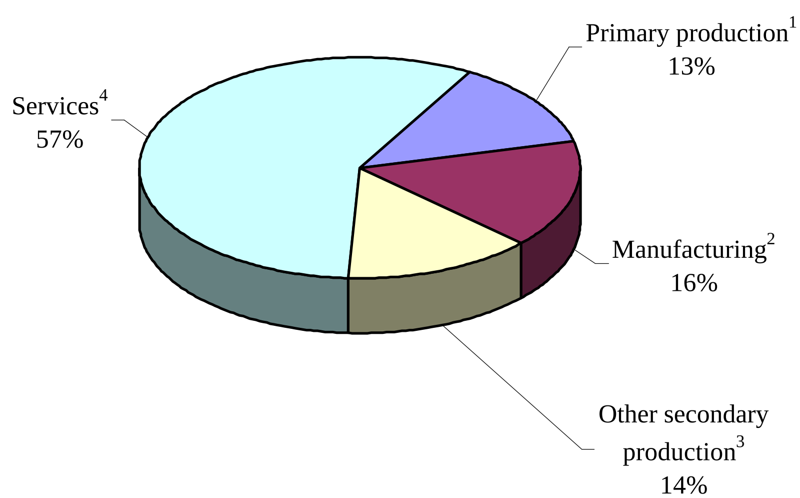
- communications;
- public administration; and
- tourism (which has secondary effects on various sectors of the economy).

The contribution of these sectors to GDP, coupled with the value they added to other sectors of the economy, contributed to the overall growth of the Dominican economy during the period from 1999 to 2002. The decline in the Dominican economy in 2003 reflected declines in nearly all of these sectors in 2003. In the first nine months of 2004, the Dominican economy showed improvement in certain sectors from 2003 levels, but remained in crisis with performance in many cases below levels achieved between 1999 and 2002.

The following chart sets forth graphically the principal sectors of the economy as of December 31, 2003.

Sectors of the Dominican Economy

(as a % of GDP for 2003, at constant 1970 prices)



(1) Includes agriculture, livestock, fishing and forestry; and mining.
(2) Includes traditional manufacturing and free trade zones.
(3) Includes electricity, gas and water; and construction.
(4) Includes wholesale and retail trade; communications; hotels, bars and restaurants; and other service industries.

The following tables set forth the distribution of GDP in the Dominican economy, indicating for each sector its percentage contribution to GDP and its annual growth rate for the periods indicated, in each case as compared to the comparable period in the prior year.

Gross Domestic Product by Sector

(in millions of DOP and as a % of GDP, at constant 1970 prices)

											For the nine months ended September 30,			
	1999		2000		2001		2002(1)		2003(1)		2003(1)		2004(1)	
	DOP	%	DOP	%	DOP	%	DOP	%	DOP	%	DOP	%	DOP	%
Primary production:														
Agriculture, livestock, fishing and forestry	714.9	11.6	754.8	11.3	816.0	11.8	836.1	11.6	814.4	11.5	567.2	11.4	596.3	11.8
Mining	109.8	1.8	124.4	1.9	105.0	1.5	102.1	1.4	111.0	1.6	81.5	1.6	84.2	1.7
Total primary production	824.8	13.4	879.1	13.2	921.0	13.3	938.2	13.0	925.5	13.1	648.7	13.0	680.6	13.5
Secondary production:														
Manufacturing:														
Traditional	839.1	13.6	923.9	13.9	898.5	13.0	966.1	13.4	924.8	13.1	664.7	13.3	677.5	13.4
Free trade zones	193.9	3.1	202.8	3.0	193.5	2.8	178.2	2.5	184.4	2.6	139.4	2.8	144.0	2.8
Total manufacturing	1,033.0	16.8	1,126.7	16.9	1,091.9	15.8	1,144.2	15.9	1,109.2	15.7	804.1	16.1	821.5	16.2
Electricity, gas and water	130.5	2.1	139.5	2.1	165.2	2.4	178.0	2.5	163.0	2.3	125.9	2.5	99.4	2.0
Construction	826.2	13.4	872.8	13.1	876.9	12.7	905.0	12.5	827.5	11.7	602.0	12.1	570.0	11.3
Total secondary production	1,989.6	32.3	2,139.1	32.1	2,134.1	30.9	2,227.3	30.9	2,099.7	29.7	1,532.0	30.7	1,490.9	29.5
Services:														
Wholesale and retail trade	805.7	13.1	880.7	13.2	889.5	12.9	932.2	12.9	804.5	11.4	613.3	12.3	596.7	11.8
Hotels, bars and restaurants	392.4	6.4	450.0	6.7	439.3	6.4	443.1	6.1	502.0	7.1	371.1	7.4	371.6	7.3
Transportation	414.7	6.7	451.6	6.8	447.5	6.5	468.6	6.5	430.1	6.1	270.4	5.4	270.8	5.4
Communications	314.3	5.1	389.3	5.8	528.7	7.7	603.8	8.4	696.7	9.8	442.6	8.9	520.7	10.3
Financial services	256.0	4.2	264.4	4.0	271.9	3.9	279.8	3.9	264.6	3.7	190.0	3.8	188.5	3.7
Real estate	260.4	4.2	266.4	4.0	272.4	3.9	278.5	3.9	284.4	4.0	216.8	4.3	221.0	4.4
Public administration	458.7	7.4	478.4	7.2	520.8	7.5	548.3	7.6	571.4	8.1	409.5	8.2	416.1	8.2
Other	450.0	7.3	469.2	7.0	485.4	7.0	496.7	6.9	502.7	7.1	294.0	5.9	299.9	5.9
Total services	3,352.3	54.4	3,649.9	54.7	3,855.4	55.8	4,051.1	56.1	4,056.4	57.3	2,807.8	56.3	2,885.2	57.1
Total GDP	6,166.7	100.0	6,668.2	100.0	6,910.5	100.0	7,216.6	100.0	7,081.5	100.0	4,988.5	100.0	5,056.6	100.0

(1) Preliminary data.
Source: Central Bank.

Gross Domestic Product by Sector

(% change from previous year, at constant 1970 prices)

						For the nine months ended September 30,	
	1999	2000	2001	2002(1)	2003(1)	2003(1)	2004(1)
Primary production:							
Agriculture, livestock, fishing and forestry	8.8	5.6	8.1	2.5	(2.6)	(4.1)	5.1
Mining	(1.5)	13.3	(15.6)	(2.7)	8.8	11.4	3.3
Total primary production	7.3	6.6	4.8	1.9	(1.4)	(2.4)	4.9
Secondary production:							
Manufacturing:							
Traditional	8.7	10.1	(2.8)	7.5	(4.3)	(5.4)	1.9
Free trade zones	(4.2)	4.6	(4.6)	(7.9)	3.5	3.6	3.3
Total manufacturing	6.0	9.1	(3.1)	4.8	(3.1)	(4.0)	2.2
Electricity, gas and water	8.1	7.0	18.4	7.8	(8.5)	(6.6)	(21.1)
Construction	17.7	5.6	0.5	3.2	(8.6)	(8.1)	(5.3)
Total secondary production	10.7	7.5	(0.2)	4.4	(5.7)	(5.8)	(2.7)
Services:							
Wholesale and retail trade	8.4	9.3	1.0	4.8	(13.7)	(14.7)	(2.7)
Hotels, bars and restaurants	9.1	14.7	(2.4)	0.9	13.3	20.3	0.1
Transportation	6.4	8.9	(0.9)	4.7	(8.2)	(8.4)	0.1
Communications	17.9	23.9	35.8	14.2	15.4	10.7	17.6
Financial services	4.2	3.2	2.8	2.9	(5.5)	(4.3)	(0.8)
Real estate	2.3	2.3	2.2	2.2	2.1	2.0	1.9
Public administration	3.1	4.3	8.8	5.3	4.2	5.8	1.6
Other	4.3	4.2	3.5	2.3	1.2	1.9	2.0
Total services	6.9	8.9	5.6	5.1	0.1	(0.1)	2.8
Real GDP	8.1	8.1	3.6	4.4	(1.9)	(2.2)	1.4

(1) Preliminary data.
Source: Central Bank.

Primary Production

Agriculture, Livestock, Fishing and Forestry

The Dominican agriculture, livestock, fishing and forestry sector is dominated by small-scale producers of sugarcane, grains (such as rice and beans), coffee, cocoa, fruits, vegetables, root crops, milk, poultry and beef. The sector exhibited 6.3% average growth between 1999 and 2002 but fell 2.6% in 2003 due to the economic crisis.

While historically the Government has intervened substantially in the agricultural sector, its current involvement is limited to establishing price-stabilization arrangements for certain agricultural goods and to providing financing for small producers, through *Banco Agrícola de la República Dominicana* (the Agricultural Bank of the Dominican Republic, which we refer to in this offering memorandum as the "Agricultural Bank").

The following table sets forth the production of selected primary goods for the years indicated.

Selected Primary Goods Production(1)
(in millions of US$, at current prices)(2)

	1999	2000	2001	2002	2003(3)
Crops:					
Fruits	US$ 234.0	US$ 213.5	US$ 263.0	US$ 273.5	US$ 156.9
Rice	181.6	195.3	219.8	188.8	86.2
Rootcrops	122.9	112.6	134.4	130.1	75.1
Vegetables	129.9	135.2	119.8	101.9	69.7
Cocoa	25.3	27.5	44.8	102.4	55.9
Sugar cane	103.6	106.4	118.3	115.7	52.8
Coffee	133.5	113.3	65.2	88.2	52.5
Legumes	41.2	34.7	43.7	48.6	26.7
Corn	6.3	5.6	7.9	7.0	6.4
Tobacco	19.4	4.1	5.4	14.3	6.1
Oleaginous crops	3.0	1.8	1.7	2.1	1.0
Other agricultural	122.0	103.4	106.7	111.8	51.3
Total crops	US$ 1,122.5	US$ 1,053.4	US$ 1,130.7	US$ 1,184.2	US$ 640.7
Livestock:					
Poultry	US$ 150.4	US$ 228.7	US$ 223.2	US$ 221.6	US$ 117.0
Milk	136.8	144.9	162.0	190.1	112.0
Beef	145.3	149.6	161.9	167.4	108.2
Eggs	59.5	60.4	65.9	78.3	52.1
Pork	12.0	23.7	26.0	25.3	14.5
Lamb	3.2	3.7	5.0	5.5	n.a.
Total livestock	US$ 507.2	US$ 611.0	US$ 643.9	US$ 688.1	US$ 403.7
Honey and bees' wax	1.8	1.9	2.5	3.2	3.4
Fishing and forestry(4)	34.6	36.6	58.6	80.7	76.4

(1) Value of total production based on producer prices. Conversion to U.S. dollars based on the weighted average exchange rate for each year.
(2) Available information only allows for estimation of current prices with annual regularity.
(3) Preliminary data.
(4) Forestry data revised by the *Dirección General Forestal* (General Forestry Management).
Source: Central Bank.
n.a. = Not Available.

The following table sets forth the annual percentage change in production of selected primary goods for the periods indicated, based on constant 1970 prices.

Selected Primary Goods Production
(% change from previous year, at constant 1970 prices)

	1999	2000	2001	2002	2003(1)	For the nine months ended September 30, 2003(1)	2004(1)
Crops:							
Fruits	18.6	13.8	22.1	0.6	12.4	5.4	(1.0)
Rice	19.4	4.8	23.1	(0.1)	(16.7)	(23.7)	8.2
Rootcrops	22.2	(3.8)	6.5	9.1	5.8	13.3	(13.6)
Vegetables	39.4	(4.4)	(2.5)	(13.4)	7.5	8.3	6.5
Cocoa	(50.1)	69.1	46.7	2.1	0.9	(3.5)	3.9
Sugarcane	(11.4)	1.3	7.0	6.7	(2.6)	(2.5)	7.1
Coffee	(10.2)	3.8	1.9	4.9	(15.2)	(21.2)	1.6
Legumes	6.2	(2.6)	10.9	8.6	(0.5)	4.9	(25.6)
Corn	(11.3)	(21.1)	52.7	(17.1)	45.1	35.3	(1.9)
Tobacco	(62.0)	(83.1)	104.8	10.8	28.5	73.0	0.4
Oleaginous plants	(19.6)	(42.6)	15.5	23.6	(14.3)	(34.1)	43.7
Other agricultural	(14.0)	33.0	2.0	(4.0)	(3.9)	17.1	(22.1)
Livestock:							
Poultry	12.1	9.5	(3.4)	(7.1)	(9.6)	(13.1)	14.0
Milk	4.8	4.0	6.6	23.2	14.5	14.5	3.8
Beef	3.4	5.3	7.2	1.3	5.0	5.0	4.4
Eggs	5.0	10.0	12.3	5.4	(7.4)	(4.4)	0.5
Pork	22.6	54.9	12.9	1.6	0.2	0.2	4.9
Lamb	0.1	0.4	29.0	6.5	n.a.	n.a.	n.a.
Honey and bees' wax	0.8	3.1	(0.1)	15.8	85.6	n.a.	n.a.
Fishing and forestry	47.1	7.7	49.1	33.9	(10.1)	(9.4)	11.3

(1) Preliminary data.
Source: Central Bank.
n.a. = Not Available.

Mining

The mining sector is concentrated in the production of nickel-iron, marble and quarry products, such as sand, coarse sand and lime sulfate. The mining sector represents a relatively small part of the Dominican economy, accounting for only 1.6% of GDP in 2003.

This sector fluctuated in growth in the period from 1999 to 2003. Mining showed modest contraction of approximately 1.5% in 1999, and a major growth of 13.3% in 2000. The sector declined considerably in 2001 at a rate of 15.6% and continued declining in 2002 by 2.7%, mainly due to the sharp decrease in the international price of nickel-iron. In response to such low prices, Falconbridge Dominicana, a local private mining company, temporarily ceased operations. In addition, a slowdown in construction resulted in lower consumption of quarry products. In 2003, the mining sector rebounded, growing 8.8% due to an increase in the international price of nickel-iron.

A new mining law, currently awaiting approval by the Dominican Congress, is expected to make the Dominican Republic more competitive and help attract foreign capital. The Canadian company Placer Dome expects to commence operations in 2005 at the Pueblo Viejo mine, which is owned by Rosario Dominicana and where *doré* (an alloy of gold and silver) is mined.

Secondary Production

Manufacturing

The principal components of the manufacturing sector are:

- traditional manufacturing, principally flour, vegetable oils, fertilizers, cement, sugar, alcoholic beverages (beer, rum and whiskey), cigarettes, steel bars, plastic derivatives and pharmaceutical products; and

- manufacturing and assembly in the free trade zones, primarily of textiles, electronics, tobacco and its derivatives and footwear.

The manufacturing sector has grown and declined intermittently in the period from 1999 to 2003:

- in 1999 and 2000, the manufacturing sector grew at an average rate of 7.5%;

- in 2001, the manufacturing sector fell 3.1%, primarily as a result of a 2.8% decline in traditional manufacturing, due to a decrease in domestic demand and a 4.6% decline in the free trade zones due to the slowdown of the U.S. economy and a consequent decline in global demand;

- in 2002, the manufacturing sector grew 4.8%, with traditional manufacturing growing 7.5% and the free trade zones declining 7.9% due to improving global and domestic economic conditions and greater demand; and

- in 2003, the manufacturing sector declined by 3.1%, with traditional manufacturing declining 4.3%, reflecting lesser domestic demand due to the economic crisis, and the free trade zones growing 3.5% due to increasing global demand and more competitive pricing of Dominican export goods as a result of the depreciation of the peso.

During the first nine months of 2004, the manufacturing sector increased by 2.2% as compared to the same period in 2003, with traditional manufacturing growing 1.9% and the free trade zones growing 3.3%, reflecting improving demand and competitive pricing of Dominican export goods.

Between 1999 and 2003, the average annual contribution of the manufacturing sector to GDP was approximately 16.2%.

Traditional Manufacturing. Traditional manufacturing grew at an average annual rate of 5.9% between 1999 and 2002, including a decline of 2.8% in 2001. In 2003, traditional manufacturing declined 4.3%, reflecting the overall slowdown of the Republic’s economy.

The following tables set forth information regarding traditional manufacturing production for the periods indicated:

Production of Selected Manufacturing Goods
(in volumes as specified)

	1999	2000	2001	2002	2003(1)	For the nine months ended September 30, 2003(1)	2004(1)
Raw sugar (in metric tons)	374,267	437,873	482,258	493,598	496,073	449,979	482,665
Refined sugar (in metric tons)	81,484	107,853	112,730	132,388	127,687	125,171	123,445
Beer (in thousands of liters)	330,138	366,926	317,596	355,384	355,362	254,294	264,022
Cigarettes (in thousands of packs of 20 units)	209,200	194,884	166,896	175,433	173,462	124,926	129,071
Rum (in thousands of liters)	43,395	44,856	45,179	49,003	49,316	34,730	39,812
Milk (in thousands of liters)	39,658	56,669	62,477	68,388	79,013	60,036	45,119
Flour (in thousands of pounds)	2,211,819	2,452,144	2,700,940	2,568,189	2,303,941	1,635,153	1,762,547
Cement (in metric tons)	2,283,290	2,505,461	2,745,980	3,050,430	2,783,167	2,137,918	1,917,530
Paint (in metric tons)	25,125	22,309	29,416	28,315	22,075	16,433	11,380

(1) Preliminary data.
Source: Central Bank.

Production of Selected Manufacturing Goods
(% change from previous period, by volume)

	1999(1)	2000(1)	2001(1)	2002(1)	2003(1)	For the nine months ended September 30, 2003(1)	2004(1)
Raw sugar (in metric tons)	11.4	17.0	10.1	2.4	0.5	0.5	7.3
Refined sugar (in metric tons)	1.4	32.4	4.5	17.4	(3.6)	(3.6)	(1.4)
Beer (in thousands of liters)	17.8	11.1	(13.4)	11.9	—	—	3.8
Cigarettes (in thousands of boxes of 20 units)	(2.3)	(6.8)	(14.4)	5.1	(1.1)	(1.1)	3.3
Rum (in thousands of liters)	(4.4)	3.4	0.7	8.5	0.6	0.6	14.6
Milk (in thousands of liters)	11.9	42.9	10.2	9.5	15.5	15.5	(24.8)
Flour (in thousands of pounds)	1.9	10.9	10.1	(4.9)	(10.3)	(10.3)	7.8
Cement (in metric tons)	11.0	9.7	9.6	11.1	(8.8)	(8.8)	(10.3)
Paint (in metric tons)	11.4	(11.2)	31.9	(3.7)	(22.0)	(22.0)	(30.8)

(1) Preliminary data.
Source: Central Bank.

Raw sugar production grew at an average annual rate of 10.2% between 1999 and 2002, and at an annual rate of 0.5% in 2003. Refined sugar production grew at an average rate of 13.9% in the period between 1999 and 2002 (including 32.4% growth in 2000) after the state-owned sugar mills were leased to private investors for 30-year terms in 2000. This arrangement increased the productivity of the Dominican Republic's sugar mills due to the greater resources private operators were able to invest to modernize the mills' facilities and optimize their production capacity. However, in 2003 refined sugar production declined 3.6% due to a decrease in demand. During the first nine months of 2004, raw sugar production increased 7.3% and refined sugar production decreased 1.4% as compared to 2003.

Between 1999 and 2002, the production of other manufactured goods (beer, cigarettes, rum, milk, flour, cement and paint) grew 22.4%. In 2003, this production declined by 8.4% compared to 2002, in part due to higher production costs. During the first nine months of 2004, the production of these manufacturing goods was 2.2% lower, as compared to the same period in 2003.

Free Trade Zones. The free trade zones are industrial parks that are set aside for manufacturing of a variety of products almost exclusively for export. These industrial parks operate in a nearly free trade environment. Some of the manufacturing in the free trade zones consists of *maquiladoras* (assembly manufacturing), with the raw materials imported into the Dominican Republic, free of import duties, and then assembled to produce finished goods. Intermediate and capital goods entering the free trade zones are likewise not subject to import tariffs, and goods manufactured in the free trade zones enter the United States free of import duties or with preferential duties under the Caribbean Basin Initiative. The free trade zones also exempted companies from Dominican income taxes through 2003 with respect to revenues generated by their respective plants in these zones. This was most beneficial to Dominican companies, since foreign companies have to pay income taxes in their country of origin.

At September 30, 2004, there were 57 free trade zones located throughout the Dominican Republic. Textiles accounted for 40.1% of exports as measured in export revenue from the free trade zones in 2003. At September 30, 2004, total employment in the free trade zones was 164,003, as compared to 189,458 in 1999.

The free trade zones did not grow consistently during the period from 1999 to 2003, contracting in 1999, 2001, and 2002, but exhibiting growth in 2000 and 2003. The contraction experienced by this sector during 2001 and 2002 was attributable to the slowdown of the U.S. economy, given that the U.S. market is the destination of more than 90% of the Dominican Republic's free zone exports. In the period from 1999 to 2003, the contribution of the free trade zones to the Dominican economy was approximately 2.8% of GDP.

Exports from free trade zones totaled US$4.4 billion in 2003. During the first nine months of 2004, exports from the free trade zones totaled US$3.3 billion, equal to the amount during the same period in 2003. According to U.S. Census Bureau statistics, the Dominican Republic's textile exports to the U.S. market have declined gradually between 1999 and 2003. This trend was principally due to increased competition from China and other Asian countries, as well as Central America. See "Balance of Payments and Foreign Trade—Foreign Trade." Total textile exports from free trade zones decreased by 8.1% from 1999 to 2003, and fell by 8.4% during the first nine months of 2004, as compared to the same period in 2003.

Since 2000, exports from the free trade zones have benefited from the preferential trade treatment accorded by the United States to certain textile products under the Textile Parity Agreement. On January 1, 2005, quotas restricting Asian exports of clothing to the U.S. market were eliminated as a result of the termination of the WTO Agreement on Textiles and Clothing. A November 2004 study commissioned by the U.S. Agency of International Development estimates that the termination of this agreement could result in the loss of approximately 37,000 jobs in the free trade zones' clothing export sector. According to the study, enhanced market access to the United States under the DR-CAFTA could reduce job losses in the free trade zones by approximately 50%.

The following table sets forth the principal economic indicators for the free trade zones for the periods indicated.

Principal Economic Indicators of the Free Trade Zones

	1999	2000	2001	2002	2003	For the nine months ended September 30, 2003[1]	2004[1]
Existing parks	44	46	51	53	54	54	57
Employees	189,458	195,262	175,078	170,833	173,367	159,794	164,003
Exports (in millions of US$)	4,331.5	4,770.6	4,481.6	4,317.3	4,406.8	3,323.8	3,286.2
As a percentage of GDP	24.9	24.1	20.7	19.9	26.5	30.3	30.5
Of which:							
Textile exports (in millions of US$)	2,393.1	2,555.4	2,314.4	2,226.8	2,200.4	1,662.5	1,522.5
Net foreign exchange earnings (in millions of US$)	1,497.2	1,708.1	1,655.2	1,716.9	1,875.9	1,393.3	1,433.1
Average monthly salary (in US$)[2]	626.0	650.1	680.5	533.8	393.4	393.4	n.a.
Technicians	434.2	456.1	477.7	363.0	266.2	266.2	n.a.
Workers	191.8	194.0	202.8	170.8	127.2	127.2	n.a.

(1) Preliminary data.
(2) Calculated according to the weighted average exchange rate for each year.
Source: Consejo Nacional de Zonas Francas de Exportación ("National Council of Free Trade Zones") and Central Bank.
n.a. = Not Available.

Electricity, Gas and Water

In the period from 1999 to 2002, the electricity, gas and water sectors collectively grew at an average annual rate of 10.3%. In 2003, however, these sectors collectively contracted 8.5% as a result of the economic slowdown and regulatory and operational problems in the electricity sector. Throughout the period between 1999 and 2003, the contribution of the sector to GDP remained between 2.1% and 2.5% of GDP.

Electricity. Between 1999 and 2002, the electricity sector grew from US$359.3 million in total production in 1999 to US$524.8 million in 2002, driven by increased demand resulting from the growth of the Dominican economy. In 2003, the electricity sector contracted to US$374.2 million as a result of infrastructure-related problems, financial difficulties experienced by privatized generation and distribution companies and the overall slowdown of the Dominican economy. See "—Privatization and Role of the State in the Dominican Economy—Privatization."

As of the most recent national census, 92.3% of all Dominican households had electricity in 2002 and 80.6% of households in rural areas had electricity, compared to 98.7% of households in urban areas. At December 31, 2003, the Dominican Republic's generation capacity was 1,658 megawatts, which fell short of peak demand by approximately 108 megawatts.

The electricity sector is currently divided into three subsectors: generation, transmission and distribution. The Government regulates all three subsectors, primarily through the state-controlled electricity company CDEEE. The Electricity Superintendency, established by the *Ley General de Electricidad* (General Electricity Law) is responsible for regulating the electricity sector.

There are five types of electricity generators in the Dominican Republic:

- independent private producers;
- thermoelectric plants operated by private companies holding a 50% ownership stake in the plants, with the remaining 50% owned by CDEEE;
- hydroelectric plants operated and owned by CDEEE;

- merchant plants which are private producers without power purchase agreements; and

- back-up generators owned by commercial and service businesses.

In 2003, 76.1% of the total electricity production was generated by thermoelectric plants in which electricity is produced by burning gas, coal or diesel fuel, and the remaining 23.9% generated by hydroelectric plants. At present, 56.3% of generation is produced by the private sector with the remaining 43.7% of generation produced by CDEEE.

CDEEE owns most of the country's power grid and is the only company that offers transmission services. The CDEEE charges US$0.0065 per kilowatt hour to transmit electricity produced by generation companies at high voltage through the country's power grid.

Distribution is provided by companies that purchase electricity from generation companies to sell in regulated and unregulated markets to end users. At present, 70% of distribution is controlled by CDEEE and the remaining 30% is controlled by the private sector.

Prior to 1999, the electricity sector suffered for many years from a severe lack of generation capacity due to poorly maintained plants and inadequate capital investment. To address this problem, many industries, retail businesses and hotel chains acquired back-up generators. CDEEE was solely responsible for distribution and provided approximately half of the Dominican Republic's generation, with the remainder provided by independent private producers, which began selling energy to CDEEE in 1993. These conditions led to frequent blackouts, which impaired economic activity. During this period, the sector suffered from:

- inefficient use of generation capacity, as reflected in high energy loss;

- low collection rates, which included both the failure of public institutions and private consumers to pay CDEEE for distribution services and the failure of CDEEE-operated distribution companies to pay independent private producers; and

- CDEEE's high operating costs.

In the period from 1999 to 2003, the electricity sector developed in the following manner:

- In 1999, the Government partially privatized the generation and distribution sub-sectors by selling controlling interests and transferring operational control to foreign companies. See "Privatization and Role of the State in the Economy—Privatization."

- Between 1999 and 2001, the robust economic growth and the privatization of the electricity sector attracted considerable private investment that increased generation capacity and distribution infrastructure. However, during this period, public institutions continued to accumulate arrears with the three new partially-privatized distribution companies, which limited the cash flow available to distributors for payment of electricity to generation companies and transmission services. In addition, the financial condition of the electricity sector was further adversely affected by the inability of distribution companies to improve collections. This situation resulted in recurring blackouts throughout the country.

- During 2002, the electricity sector experienced further financial difficulties due to:

    Ø annual losses of approximately US$121 million incurred by CDEEE, as a result of its agreements with independent private producers to purchase energy at prices higher than CDEEE's selling prices to distribution companies;

    Ø a government subsidy regime which prohibited distribution companies from increasing prices to consumers to cover their increased costs. This subsidy regime, in turn, led the distribution companies to deduct these cost increases from payments to CDEEE. In addition, the inability to pass on increased costs to consumers caused distribution companies to accumulate arrears with generation companies; and

  - Ø the failure of public institutions to fully pay for their energy consumption, which also caused distribution companies to withhold payments to CDEEE.

- In order to resolve the financial crisis in the electricity sector, in May 2002 the Government established an electricity commission and the following actions were taken:

  - Ø CDEEE terminated substantially all of its power purchase agreements with independent private producers and began paying its accrued debt with these producers. Independent private producers began to sell, and CDEEE began to purchase, electricity in the spot market. The independent private producers that have maintained a commercial relationship with CDEEE are METALDOM, Dominican Power Partner DPP, Cogentrix, Smith Enron, Maxon, CEPP, LEASA, Seaboard, Los Minas 5, Los Minas 6 and Seabor.

  - Ø The Government and the distribution companies reached an agreement to adjust the indexation formula used to set electricity prices charged to consumers, which allowed price adjustments for changes in fuel costs, inflation and exchange rates.

  - Ø CDEEE's role as the financial intermediary between public entities and distribution companies was eliminated. As a result, distribution companies began charging these public entities directly for their electricity consumption.

- In 2003, the electricity sector suffered from the collective impact of rising oil prices and the depreciation of the peso, which significantly increased generation costs. In addition, severe economic problems which affected the privatized distribution companies' ability to reliably deliver energy to the country's power grid forced the Government to renationalize two of the three distribution companies for US$347.5 million and reassume their operational control in September 2003. See "—Privatization and Role of the State in the Economy—Privatization."

Both generators and distributors continue to face financial difficulties that have resulted in frequent blackouts, public protests and demonstrations, and several temporary and permanent shutdowns of generating plants. The financial strain on the government caused by the 2003 economic crisis has resulted in late and missed payments of subsidies by the government to distributors. Distributors, already experiencing financial difficulties because of late payments and collection problems with customers, have been unable to meet all of their payment obligations to generators.

The most pressing problems currently facing the electricity sector include:

- decisions taken by distribution companies to limit their purchase of electricity in the spot market when prices are high, thereby limiting the supply of electricity to consumers. Distribution companies purchase electricity from generators under previously agreed contracts and in the spot market. Under the contracts, the purchase price is determined by a formula that takes into account certain cost variations. In the spot market, price is determined by supply and demand. Since the indexation formula used by distribution companies to fix consumer prices is not adjusted to reflect the variation in energy prices in the spot market, distributors limit their spot purchases when prices are high. This causes distribution companies to limit the supply of electricity to consumers;

- separate payment disputes between the Government and *Compañía de Electricidad de San Pedro de Macorís* (the Electricity Company of San Pedro de Macorís, which we refer to in this offering memorandum as "Cogentrix") and U.S.-based AES Corporation ("AES"). Cogentrix, an independent power producer, services approximately 3.5% of the Dominican Republic's total demand for electricity. As a result of these disputes, the Government delayed payments to Cogentrix, which has, in turn, suspended the provision of electricity. The Government has been engaged in ongoing negotiations with Cogentrix to restart its plants and resume operations. A second plant, operated by AES, was decommissioned due to a payment dispute with the Government in 2004; and

- operational problems experienced by electricity generator *Empresa Generadora de Electricidad Itabo, S.A.* after its plant adopted coal as a source of fuel.

The Fernández administration has engaged in a variety of measures to deal with the persistent problems of the electricity sector, including:

- In 2004, the Government received loans of US$100 million from the World Bank and US$150 million from the Inter-American Development Bank that were primarily used to pay debts owed to generators for power sold to distributors.

- In November 2004, the Republic reached an agreement with Venezuela to reinstate the Caracas Energy Cooperation Agreement. Under this agreement, Venezuela committed to supply 50,000 barrels of oil or equivalent forms of fuel to the Republic. Venezuela agreed to finance up to 25% of the Republic's bill at 2% annual interest for 15 years, with a grace period of one year to make principal amortization payments. The Republic has an option in the agreement to pay in goods and services. In addition, Venezuela also committed to collaborate in oil exploration in the Dominican Republic and to train Dominican technicians. The one-year agreement is automatically renewable. Oil imports from Venezuela had been suspended in September 2003 due to a political dispute between Venezuelan President Hugo Chavez and the Mejía administration.

- In January 2005, the Fernández administration established a committee charged with reforming the electricity sector, negotiating debt payment plans with private generators, and formulating a strategy with the IMF and the World Bank. The committee aims to:

  Ø increase the collection rate of fees from consumers;

  Ø reduce the level of government subsidies in accordance with the budget target of US$350 million;

  Ø formulate a strategy to eliminate additional government subsidies for 2006;

  Ø freeze intercompany debt;

  Ø facilitate the re-privatization of Ede Norte and Ede Sur in the medium term; and

  Ø ensure the financial sustainability of the electricity sector in the medium and long term.

The following table sets forth information with respect to the development of the electricity sector for the periods indicated.

Principal Economic Indicators of the Electricity Sector[(1)]

	1999	2000	2001	2002[(2)]	2003[(2)]	For the nine months ended September 30, 2003[(2)]	For the nine months ended September 30, 2004[(2)]
Production of electricity sector (in millions of US$)[(3)]:	359.3	405.3	508.6	524.8	374.2	271.4	206.7
Energy Production:							
Generators and CDEEE (in MW/hr):							
Thermal	2,067,752	2,218,391	2,887,798	3,878,821	3,182,925	2,619,554	1,312,653
Hydroelectric	1,380,023	933,649	738,124	893,192	1,198,772	740,477	1,267,412
Gas	2,088,398	2,102,168	1,326,103	517,181	619,681	575,530	236,895
Diesel	7,374	7,281	7,554	7,620	17,867	13,555	9,070
Total generators and CDEEE	5,543,547	5,261,488	4,959,579	5,296,813	5,019,244	3,949,116	2,826,030
Independent private producers (in MW/hr)	3,740,533	4,439,652	4,833,782	5,152,129	5,468,357	4,138,540	3,645,599
Total energy production (in MW/hr)	9,284,080	9,701,140	9,793,362	10,448,942	10,487,602	8,087,656	6,471,628
Losses, transmission and distribution (in MW)	4,071,130	4,138,700	3,233,188	3,411,421	4,025,693	3,089,281	2,540,192
Total energy loss/production, as a % of total production	43.9	42.7	33.0	32.6	38.4	38.2	39.3
Consumption by economic sector (in MW/hr):							
Residential	1,670,967	1,937,607	2,785,896	2,894,658	2,795,298	2,156,582	1,754,055
Industrial	1,739,196	1,864,164	1,908,906	2,195,002	2,160,678	1,671,644	1,255,960
Government	994,413	909,290	813,539	826,336	709,485	547,135	457,144
Commercial	568,508	613,883	819,642	892,381	556,838	437,058	317,316
Factory consumption	239,867	237,497	232,191	229,143	239,609	185,957	146,962
Total consumption	5,212,951	5,562,440	6,560,174	7,037,521	6,461,908	4,998,375	3,931,437
Energy sale income (in millions of US$)	540.5	617.7	704.6	748.5	661.3	535.4	411.4

(1) Based on the weighted average exchange rate for each year.
(2) Preliminary data.
(3) Calculated using electricity sector percentage share of real GDP, multiplied by nominal GDP in U.S. dollars.
Source: Central Bank.

Gas. Propane gas is a widely used energy source in the Dominican Republic. Propane gas is imported primarily through three terminals: *Refinería Dominicana de Petróleo*, *Operadora Puerto Viejo, S.A.* and *Coastal Petroleum Dominicana*. A large number of private companies distribute propane gas. In 2004, the Dominican Republic consumed approximately 263 million gallons of propane gas annually, equivalent to 33 gallons per capita per year. The Government eliminated natural gas subsidies in 2001.

Water. The water sector is in need of significant investment. As of 2002, 37.4% of all Dominican households had access to potable water in their homes, while 43.7% had outside access to potable water, generally at a site within 15 minutes of their homes. The Government has considered privatizing the water distribution and fee collection businesses in recent years. However, the fact that the Government supplies water at subsidized prices poses a challenge to private sector participation, as customers are likely to object to the increase in rates that would necessarily accompany privatization of this sector. In 2001, *Corporación de Acueductos y Alcantarillados de Santo Domingo*, a public company, began installing water meters in selected areas of Santo Domingo in order to increase collections.

The following table sets forth information with respect to the development of the water sector for the periods indicated.

Principal Economic Indicators of the Water Sector(1)

	1999	2000	2001	2002(2)	2003(2)	For the nine months ended September 30, 2003(2)	2004(2)
Production of water sector (in millions of US$)(3):	8.6	9.3	9.8	10.9	8.4	6.0	5.2

(1) Based on the weighted average exchange rate for each year.
(2) Preliminary data.
(3) Calculated using water sector percentage share of real GDP, multiplied by nominal GDP in U.S. dollars.
Source: Central Bank.

Construction

Between 1999 and 2002, the construction sector grew at an average annual rate of 3.1%. In 2003, however, the construction sector contracted by 8.6%. Between 1999 and 2003, the contribution of this sector to GDP ranged between 11.7% and 13.4% of GDP per year.

Construction of tourism-related facilities, as well as dams, highways, roads, bridges, tunnels, shopping centers, housing units and office buildings, contributed to the growth of the construction sector between 1999 and 2002. Growth during this period was fueled by substantial public and private investment. Private investment was directed mostly towards residential, commercial and hotel construction projects. The Government made significant investment in construction of transportation infrastructure, schools and hospitals, and low-cost single-unit housing. Construction activity decreased significantly in 2003 as a result of the economic crisis and the accompanying decrease in foreign direct investment.

Services

Wholesale and Retail Trade

Between 1999 and 2002, wholesale and retail trade grew at an average annual rate of 5.9%, principally due to the following factors:

- an increase in per capita income;
- the effects of the 1990 tariff reform; and
- the elimination of restrictions on foreign investment.

In 2003, this sector contracted 13.7% primarily as a result of weakened consumer demand. During the first nine months of 2004, the wholesale and retail trade sector contracted by 2.7% compared to the corresponding period in 2003, due to a decrease of 12.5% in imports of commercial goods.

In the period from 1999 to 2003, wholesale and retail trade accounted for an average of 12.7% of GDP per year, making it the second largest component of the economy. During this period, however, the sector’s contribution to GDP decreased from 13.1% in 1999 to 11.4% in 2003.

The composition of the Dominican retail market has changed in recent years, with the entrance of a number of multinational corporations, some through the use of franchises, and with a focus primarily on mega-store supermarkets and the fast food and clothing businesses, which has in turn spurred domestic investment in retail trade.

Hotels, Bars and Restaurants

Driven primarily by tourism, the hotel, bar and restaurant sector was an important contributor to the Dominican economy between 1999 and 2003, accounting on average for 6.5% of GDP. At December 31, 2003, there were approximately 56,393 hotel rooms available in the country, an increase of 6,770 rooms as compared to the total available at December 31, 1999.

While the sector's growth slowed in 2002 to 0.9%, primarily as a result of the impact on tourism of the terrorist acts of September 11, 2001, it grew 13.3% in 2003 as the tourism sector rebounded after depreciation of the peso made the Dominican Republic a relatively cheaper tourist destination.

In October 2001, the Government enacted the *Ley de Fomento al Desarrollo Turístico* (Tourism Development Incentive Law). The law grants tax exemptions to entities that develop tourism-oriented projects in the less-developed regions of the country with the objective of promoting investment and economic growth in the tourism sector.

Since 1985, tourism has been the primary source of foreign currency for the Dominican economy. In 2003, 3.3 million foreign tourists visited the Dominican Republic. See "Balance of Payments and Foreign Trade—Foreign Trade—Services Trade" for additional information regarding the tourism sector.

Transportation

The transportation sector, which consists of passenger and merchandise transportation by air, land and sea, exhibited considerable growth between 1999 and 2000, registering a 7.7% average annual growth rate. Several factors contributed to the growth in this sector, including:

- higher per capita income that led to an increase in vehicle purchases;
- modernization and expansion of the transportation infrastructure;
- a renewed public transportation initiative; and
- a reduction of taxes applicable to purchases of certain foreign automobiles that facilitated imports of certain American cars.

Communications

The Dominican Republic was one of the first countries in Latin America to have a privatized telephone service. Privatization of the telecommunications sector took place in 1930. From 1930 to 1992, *Compañía Dominicana de Teléfonos* (the Dominican Telephone Company), currently a subsidiary of Verizon, had a virtual monopoly in this sector. In 1992, the creation of Tricom introduced competition into the telephony market. Tricom is the only Dominican company that has ever been listed on the New York Stock Exchange. Competition intensified in 2000 with the entry of France Telecom (Orange) and Centennial Dominicana (a subsidiary of Centennial Communication Corporation) into the domestic market for international long distance telephone and wireless services. Increased competition has expanded the variety of communication services offered and resulted in an appreciable reduction in rates.

Summary of Communications Sector Information

	1999	2000	2001	2002	2003	As of September 30, 2004
Lines (per 100 residents)						
Fixed wire	10.5	11.2	11.8	10.6	10.5	10.7
Cellular	5.4	8.8	15.7	19.9	24.5	28.1
Total lines	15.9	20.0	27.5	30.5	34.9	38.8
Internet accounts (number of accounts)	31,376	52,761	64,382	82,518	96,391	104,239

Source: Instituto Dominicano de las Telecomunicaciones (Dominican Telecommunications Institute).

Between 1999 and 2003, the communications sector registered the highest rate of growth in the Dominican economy, with an average annual growth rate over the period of 21.4%. This sector's share of the economy as a percentage of GDP reached 9.8% in 2003, as compared to 5.1% in 1999. During the first nine months of 2004, the communications sector grew 17.6% as compared to the prior year.

Cellular service grew from 5.4 lines per 100 residents in 1999 to 24.5 lines per 100 residents in 2003, accounting for almost the entire increase in the number of phone lines over the five-year period. As of September 30, 2004, the number of telephone lines and beepers in the Dominican Republic was approximately 3.4 million. Internet access has also increased significantly in recent years, as computers and Internet use have proliferated.

The Government has launched initiatives to enhance the communications sector, including:

- allocation of 60% of the 2% excise tax imposed on communication services to improve access to telephone and other communication services;
- development of programs to provide Internet access in public schools; and
- development of programs to increase access to telecommunications in rural areas.

Financial Services

Between 1999 and 2002, the financial services sector grew at an average annual rate of 3.3%, which was lower than the average annual growth rate for the entire Dominican economy. This modest rate of growth resulted from the slow process of opening the Dominican financial sector to international competition. In 2003, however, the financial services sector contracted by 5.5%, mainly as a result of the Republic's banking crisis.

The Fernández administration is committed to continuing the process of opening up the financial services sector to foreign private investment, with the goal of increasing the efficiency and solvency of the Dominican financial system.

Public Administration

Between 1999 and 2003, the public administration sector exhibited an average growth rate of 5.1%, higher than the average growth rate for the Dominican economy as a whole. During this period, the Government's payroll grew at an average annual rate of 13.2%, primarily due to an increase in the number of employees. In 2003, the public administration sector grew at a rate of 4.2% as compared to 2002. During the first nine months of 2004, the public administration sector increased by 1.6% as compared to 2003.

As part of its 2005 budget, the Fernández administration has stated its intention to establish a cap on the public administration payroll, in part by instituting a hiring freeze.

Real Estate and Other Services

Real estate expanded at a modest rate in the period from 1999 to 2003. The annual growth rate for this sector was between 2.1% and 2.3% during this period. During the first nine months of 2004, the real estate sector grew by 1.9% as compared to the same period in 2003.

Other services supplied in the Dominican economy include personal services, cleaning services, services rendered to private companies and computer services.

Privatization and Role of the State in the Economy

Privatization

During the first Fernández administration from 1996 to 2000, the Government began a process of privatization in a number of sectors that the Mejía administration continued with mixed success.

Pursuant to the *Ley General de Reforma de la Empresa Pública* (the Public Enterprise Reform Law), the privatization of state-owned companies in the Dominican Republic must be effected primarily through a process of share purchases (which is referred to under Dominican law as "capitalization"). Under the capitalization process, private sector companies contribute a sum equal to or greater than the value of the state-owned company subject to privatization to create a new company, 50% of which is owned by the Government as required by law. This law also gives discretion to the *Comisión de la Reforma a la Empresa Pública* (the Commission for the Reform of Public Enterprises) to implement the Government's privatization initiatives through franchising, concessions, transfers of shares or assets, or the sale of assets. Under this law, funds obtained through the privatization process, including concession fees, are placed in the *Fondo Patrimonial* (the Privatization Fund).

The state-owned companies and assets that have been subject to privatization since the enactment of the Public Enterprise Reform Law include the following:

- the CDEEE;

- the sugar mills owned by the National Sugar Board;

- companies owned by the *Corporación Dominicana de Empresas Estatales* (the Dominican State Enterprises Corporation, which we refer to in this offering memorandum as "CORDE"), a holding company with interests in companies operating in a wide range of economic activities;

- hotels owned by the *Corporación de Fomento de la Industria Hotelera* (the Hotel Industry Promotion Corporation, which we refer to in this offering memorandum as "CORPHOTELES"); and

- airports managed by the Government.

The following summarizes the steps taken to privatize these companies:

- The privatization of the CDEEE, which was launched in 1999, divided the company into thee separate parts, each dealing with a different segment of the electricity market – generation, distribution and transmission. As a result of these measures, three new mixed (private and state-owned) companies – *Distribución del Norte* ("Ede Norte"), *Distribución del Sur* ("Ede Sur") and *Distribución del Este* ("Ede Este") – were established to assume the power distribution business. The Government sold 50% ownership interests and management control in Ede Norte and Ede Sur to Spanish company Unión Fenosa and in Ede Este to U.S.-based AES in separate transactions. In addition, two new mixed (private and state-owned) companies – *Empresa Generadora de Electricidad Itabo, S.A.* and *Empresa Generadora de Electricidad Haina, S.A.*– were established to assume the power generation business conducted through thermoelectric plants. In September 2003, however, the Republic repurchased Unión Fenosa's interest in Ede Norte and Ede Sur and re-assumed operational control of the two distributors. The Government intends to commence an international bidding process to re-privatize the two companies in the future, when it deems market interest to be sufficient.

- In June 1999, the Government decided to lease the sugar mills owned by the National Sugar Board to private sector operators, in an effort to improve their performance. To date, the National Sugar Board's ten sugar mills have been leased to four private consortia, which have invested resources to optimize the mills' production capabilities, and to improve the quality of the mills' facilities.

- The privatization of CORDE was launched in 1999 with the privatization of two of its subsidiaries, *Molinos Dominicanos* and *Molinos del Norte*. These two companies merged into *Molinos del Ozama*, which was capitalized by *Malla y Cía* (a privately-owned company). In December 1999, the Government authorized the lease of two CORDE subsidiaries, *Minas de Sal y Yeso* and *Marmolería Nacional*, to two privately-owned companies, *Cementos Nacionales* (a subsidiary of *Cementos de México, S.A. de C.V.*) and *Marmotech, S.A*. The privatization of CORDE continued in January 2000, when its three tobacco subsidiaries were merged into a single entity that was capitalized by *CITA Caribe* (a subsidiary of *CITA Tabacos de Canarias*). All but three of the CORDE companies have been liquidated. The three that remain in existence are currently not in operation.

- Thirteen of the CORPHOTELES's 24 hotels have been leased to private operators. The remainder are either not in operation or have been donated to non-profit organizations.

- In 1999, the Government also privatized the management of four of the country's international airports. *Aeropuertos Dominicanos Siglo XXI, S.A.* (a private consortium known as Aerodom) was selected though a competitive bidding process to operate the airports for a period of 25 years. In addition, Aerodom built an airport in La Isabela, near Santo Domingo, which opened in March 2003 and is currently in the process of building an airport in El Catey, near the Samaná resort area.

- The Government is also promoting involvement of the private sector in other public endeavors, such as the development of sulfide deposits and the construction and management of highways. During 2001 and 2002, the Government granted concessions to private companies for the construction and management of five highways, and is in the process of approving two additional concessions for this purpose. More recently, in February 2005, the Government announced that it plans to auction concessions of cruiseship sea ports in four cities to improve the Dominican Republic's tourism infrastructure. The first of these concessions is expected to be put out for bids in 2006.

The privatization process has encountered significant difficulties in the past three years, most notably in the electricity sector, coinciding with the Dominican Republic's economic downturn. Both generators and distributors of electricity have been beset by financial losses that have resulted in frequent blackouts, widespread public protests, a persistent deficit in electricity output, and several temporary and permanent shutdowns of generating plants. See "—Secondary Production—Electricity, Gas and Water—Electricity."

In September 2003, the government repurchased Unión Fenosa's ownership interests in Ede Norte and Ede Sur for US$347.5 million and resumed operational control of both distribution companies. In November 2004, AES sold its ownership interest in Ede Este to U.S.-based TCW Energy Advisors.

Role of the State in the Economy

Following enactment of the Public Enterprise Reform Law on June 24, 1997, the Government reduced its direct involvement in the Dominican economy. While in the early 1990s the Government maintained a 100% equity ownership in public enterprises, the Government has reduced its ownership stakes in many of those enterprises.

The Fernández administration is intent on continuing the privatization process and deregulating the Dominican economy by promoting private sector involvement in areas that were previously restricted to the Government or to firms in which the Government was a stakeholder. The Fernández administration aims to:

- reform the energy sector, including fuel and other sources of energy;
- construct and maintain infrastructure, such as roads, airports, ports and sanitation projects; and
- support new investment in the mining sector, such as the new concession to the Canadian gold company Placer Dome to mine gold and silver in the Pueblo Viejo mine.

As of the date of this offering memorandum, the Government holds the specified equity ownership interests in the following companies:

Company	Government Equity Ownership	Description
CDEEE (generation and transmission)	100%	Operates the Republic's hydroelectric generation plants and transmission lines.
CDEEE (generation and distribution)		
Ede Sur and Ede Norte	100%	Owns distribution facilities.
Ede Este	50%	Ownership interest in privatized thermoelectric plants and distribution facilities.
National Sugar Board	100%	Owns the Republic's sugar mills and land. All sugar mills are leased to the private sector.
Corporación de Acueducto y Alcantarillado de Santo Domingo (Aqueduct and Sewer Corporation of Santo Domingo)	100%	Owns and operates the aqueducts and sewers of Santo Domingo.
Corporación de Acueducto y Alcantarillado de Santiago (Aqueduct and Sewer Corporation of Santiago)	100%	Owns and operates the aqueducts and sewers of Santiago.
Banco de Reservas de la República Dominicana	100%	Commercial bank.
Banco Agrícola (Agricultural Bank)	100%	Development bank that provides financing for small farmers.
Compañia de Seguros San Rafael (San Rafael Insurance Company)	100%	Offers insurance services to the public; currently being transferred to the *Banco de Reservas.*
CORDE	100%	Holding company of the Government's interest in many companies.
CORPHOTELES	100%	Owns 18 hotels throughout the Republic.
Refinería Dominicana de Petróleo (Dominican Petroleum Refinery)	50%	Imports oil and oil derivatives; operates the Republic's refinery; and sells gasoline and other fuel products to oil derivative distributors.
Falconbridge Dominicana	10%	Operates the Republic's nickel-iron mines and exports nickel-iron to foreign markets.

Employment and Labor

Employment

Economic growth in the period 1999 to 2001 stimulated job creation, although unemployment increased in 2001 due to a decrease in the economic growth rate in that year. Unemployment continued to increase in 2002 and 2003 as a result of the economic crisis but stabilized in 2004.

The principal sectors in terms of numbers of jobs are other services, wholesale and retail trade, manufacturing, agriculture, and transportation.

The following table sets forth employment statistics as of the periods indicated.

Employment and Labor
(in %)

	1999	2000	2001	2002	As of October 31, 2003	As of April 30, 2004
Participation rate(1)	53.5	55.2	54.3	55.1	54.7	52.2
Employment rate(2)	46.1	47.6	45.8	46.2	45.4	45.9
Unemployment rate(3)	13.8	13.9	15.6	16.1	17.0	17.0
Open unemployment rate(4)	5.9	5.8	6.5	5.9	6.5	5.1

(1) Labor force as a percentage of the total population at or above the minimum working age (including both active and inactive segments of the population).
(2) Employment as a percentage of the total population at or above the minimum working age.
(3) Refers to population at or above the minimum working age that is not employed and is willing to work (even if not actively seeking work), as a percentage of the total labor force.
(4) Refers to population at or above the minimum working age that is not employed and is actively seeking work, as a percentage of the total labor force.
Source: Central Bank.

The following table sets forth information on employment by sector (as a percentage of total employment) as of the periods indicated.

Employment
(% by sector)

	1999	2000	2001	2002	As of October 31, 2003	As of April 30, 2004
Agriculture, livestock, fishing and forestry	17.5%	15.9%	14.8%	15.9%	13.8%	14.8%
Mining	0.3	0.2	0.2	0.2	0.2	0.2
Manufacturing	17.4	17.1	15.4	14.2	14.7	15.1
Construction	7.2	6.3	6.6	5.9	7.1	6.8
Electricity, gas and water	0.4	0.8	0.9	0.8	0.9	0.8
Transportation and communications	7.3	6.2	7.6	7.4	7.7	7.1
Wholesale and retail trade	21.9	21.7	21.6	21.2	20.7	20.7
Financial services	1.3	1.9	1.8	2.0	2.1	1.8
Public administration and defense	3.6	4.2	4.8	5.0	4.4	4.4
Hotels, bars and restaurants	4.8	5.2	5.7	5.6	5.5	5.5
Other services	18.3	20.6	20.6	21.8	22.9	22.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Central Bank.

The Dominican economy has a significant "informal sector" that provides employment to many people, including a significant number of women. The term "informal sector" refers to economic activities that take place outside of the formal norms for economic transactions established by the state or developed through formal business practices. The informal sector includes small businesses that are the result of individual or family initiatives. It generally involves the production and exchange of legal goods and services without the appropriate business permits, without reporting of tax liability, without complying with labor regulations and without legal guarantees for suppliers and end users. The informal sector provides economic opportunities, albeit limited, for the urban poor. The Central Bank estimates that 53.4% of the total labor force was employed in the informal sector in 2003.

Wages and Labor Productivity

The *Comité Nacional de Salarios* (the National Committee on Salaries) sets minimum wages by industry every two years in a process in which representatives from labor, management and the public sector participate. Effective January 2005, the National Committee on Salaries approved a 30% increase in the minimum wage for most sectors of the economy. At present, the minimum wage in the private sector is DOP6,400 per month, which is equivalent to approximately US$212 per month.

In 2004, the real minimum wage recorded in the private sector for large size companies was 67.6% of the level recorded in 1999; for medium size companies, 68.3% of the 1999 level and for small size companies, 68.9% of the wage recorded in 1999. The real minimum wage recorded in the free trade zone in 2004 was 70.3% of the level recorded in 1999. In the public sector, the real minimum wage recorded in 2004 was 68.7% of the wage recorded in 1999.

The following table sets forth information on real minimum wages by sector and labor productivity for the years indicated.

Index of Real Minimum Wages and Labor Productivity
(1999 = 100)

	1999	**2000**	**2001**	**2002**	**2003**	**2004**
Private sector wages:						
Large size companies(1)	100.0	94.7	104.3	98.8	73.2	67.6
Medium size companies(2)	100.0	92.9	102.3	96.9	75.8	68.3
Small size companies(3)	100.0	92.1	101.6	96.2	75.2	68.9
Free trade zone wages	100.0	92.9	98.8	90.2	73.3	70.3
Public sector wages	100.0	93.3	101.9	95.7	74.2	68.7
Labor productivity(4)	100.0	106.0	111.2	112.3	110.4	108.7

(1) Capitalization greater than DOP500,000. In November 2004, this threshold was increased to DOP4.0 million.
(2) Capitalization greater than DOP200,000 and lower than DOP500,000. In November 2004, this range was increased to DOP 2.0 million and DOP4.0 million.
(3) Capitalization lower than DOP200,000. In November 2004, this threshold was increased to DOP2.0 million.
(4) Labor productivity index is based on a ratio of real GDP and total employment (average labor productivity).
Source: *Secretaría de Estado de Trabajo* (Ministry of Labor) and Central Bank.

Poverty and Income Distribution

The incidence of poverty in the Dominican Republic declined during the 1990s, primarily as a result of rapid economic growth during this period. Another factor that has helped to ameliorate poverty has been the considerable rise in remittances from workers living and working abroad, which has grown even during the economic crisis. See "Balance of Payments and Foreign Trade—Remittances." Poverty in the Dominican Republic results primarily from unemployment and underemployment, marked class disparities in access to education, health care and jobs, and the significant differences in income between skilled and unskilled workers.

Since 2000, poverty in the Dominican Republic has increased significantly as a result of high inflation, the slowing economy and an increase in unemployment. According to data from the *Oficina Nacional de Planificación* (National Planning Office), approximately 33% of the population lived in extreme poverty (household earnings of less than US$1 per day) in 2003, as compared to 28% in 2000. Approximately 62% of Dominicans lived in poverty (defined as household earnings of less than US$2 per day) in 2003, as compared to 54% in 2000.

In 2001, a new social security law that overhauled the Republic's pension system went into effect. For a discussion of the Republic's social security reform, see "Public Sector Finances—Social Security."

The Government has also adopted a plan to improve the Dominican educational system, particularly as sub-standard education is considered to be one of the principal causes of poverty. The Dominican educational system has suffered from a lack of resources, out-of-date curricula and inadequate teacher training. The Government has taken steps to improve Dominican schools, including the following:

- continuing the *Plan Decenal de Educación* (the Decennial Plan for Education), a program started in 1992 with support from the IDB, the World Bank and private donors, which is aimed at increasing the efficiency of the school system and improving the coverage of public education for children;
- strengthening the student-breakfast program for children attending public schools;
- adopting a program to provide Internet access in public schools; and
- encouraging private companies to sponsor public schools.

Other measures the Government has implemented to combat poverty include:

- subsidizing selected households living in poverty (*e.g.*, single-mother households and households where the wage earner is disabled or retired);
- investing in poor neighborhoods to improve sanitation, pave roads and repair sub-standard housing;
- subsidizing public transportation;
- providing credits for small businesses;
- reforming the public healthcare and workers' compensation systems;
- implementing the Eating is First program; and
- establishing the Unified Beneficiary System.

Environment

The most serious environmental problems currently confronting the Dominican Republic are water contamination and deforestation. The Government expects to address these environmental problems through greater supervision and regulation, as well as through community and private-sector awareness and involvement. In 2000, the Government created the *Secretaría de Estado de Medio Ambiente y Recursos Naturales* (the Environmental Ministry) to centralize the various functions relating to the environment previously carried out by multiple governmental entities. The 2005 budget sets aside DOP392.2 million for environmental protection.

The Government requests environmental impact studies before authorizing any public or private construction project. The Government undertook reforestation projects, beginning in the late 1990s, which involved community groups and private and public organizations. The drive for reforestation yielded favorable results. While in the 1980s the annual rate of deforestation, as measured by the World Bank, reached 400 square kilometers per annum, that rate was reduced to 264 square kilometers per annum in the period from 1990 to 1995. In addition, a study has suggested that the total area covered by forest grew by 550 kilometers between 1980 and 1998, increasing the covered area from 19.6% to 27.5%. In 1998, the *Secretaría de Estado de Agricultura* (the Ministry of Agriculture) reported that 2.0 million hectares were covered by natural vegetation, representing 42% of the total area suitable for agricultural purposes.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The balance of payments is used to record the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of two accounts:

- the current account, which comprises:
  - Ø net exports of goods and services (the difference in value of exports minus imports);
  - Ø net financial and investment income; and
  - Ø net transfers; and
- the capital account, which is the difference between financial capital inflows and financial capital outflows.

Current Account

One of the most important components of the current account is the trade balance. The four primary factors that drive the trade balance are:

- the relative rate of economic growth of a country as compared to that of its trading partners – generally, if a country's economy grows faster than that of its trading partners, its relative level of consumption of goods and services will tend to rise, and its level of imports will tend to increase more rapidly than its level of exports;
- the relative level of domestic prices against foreign prices, as reflected by the real exchange rate – generally, if a country's domestic prices rise relative to those of its trading partners, there is a tendency for the country's level of exports to decline, and for its level of imports to increase;
- changes in production costs, technology, and worker skills – more efficient production will tend to lower production cost, which in turn will tend to lower prices. As prices fall, there will be a tendency for the country's level of exports to increase; and
- changes in consumer tastes, which may affect the demand for a country's goods and services abroad, and the demand for foreign products in the domestic market.

Between 1999 and 2002, the Republic's current account registered annual deficits, which were offset by yearly surpluses in the capital account. During this period, the current account deficit fluctuated between 2.5% (1999) and 5.2% (2000) of GDP. In 2003, the Republic's current account registered a surplus of US$1,036.2 million, which equaled 6.2% of GDP. During the first nine months of 2004, the current account showed a surplus of US$1.3 billion, equal to 11.7% of GDP, as compared to surplus of US$663.6 million, equal to 6.0% of GDP, during the same period in 2003.

The current account deficits between 1999 and 2002 reflected trade deficits due to strong demand for imported goods. Increased demand for imported intermediate and consumer goods was spurred by rising domestic consumption, and rising private investment through 2000 helped drive demand for capital goods.

The current account surplus in 2003 and the first nine months of 2004 primarily reflected:

- the overall slowdown of the Dominican economy, which lowered domestic demand and consumption; and

- the depreciation of the Dominican peso in 2003, which further depressed imports and made exports relatively more attractive to the Republic's trading partners.

Capital Account

The capital account reflects foreign direct investment and monetary flows into and out of a nation's financial markets. Between 1999 and 2002, the capital account registered annual surpluses and offset the current account deficit in each year during this period. From 1999 to 2001, the Republic attracted considerable foreign direct investment, as reflected in a capital account surplus that grew from US$1.1 billion in 1999 to US$1.7 billion in 2001.

In 2002 and 2003, the capital account decreased significantly due to the following factors:

- in 2002, the capital account surplus decreased approximately 78%, as compared to 2001, due to a decrease in foreign direct investment and a substantial decrease in net portfolio investment provoked by the global economic downturn and reflecting the increase in net portfolio investment in 2001 as a result of the US$500 million sovereign bond offering; and

- in 2003, the capital account registered a deficit of US$16.3 million as foreign direct investment decreased sharply due to economic and political instability in the country. The Government's repurchase of the electricity distribution companies Ede Norte and Ede Sur from Spanish-based Unión Fenosa in September 2003 also contributed to the capital account deficit. The US$1.7 billion in outflows of "other capital" registered in 2003 was the result of capital flight and a decrease in private sector external debt, which reduced payments to foreign creditors.

The Dominican Republic's capital markets have deterred portfolio investment, which contributes to the capital accounts of some countries. Modest portfolio investment, however, has had some positive side effects; the Republic, for instance, has not suffered from the volatility often associated with "hot money" capital inflows.

During the first nine months of 2004, the capital account registered a deficit of approximately US$789.5 million, as compared to US$107.4 million during the same period in 2003 due to:

- the impact of the US$600 million sovereign bond offering in 2003, which contributed to the decrease in net portfolio investment in 2004;

- an increase of US$348.1 million of foreign-denominated deposits in commercial banks;

- a decrease of US$189.1 million in private sector external debt payments; and

- a continued lack of foreign direct investment due to weak investor confidence in the Republic.

The following table sets forth information regarding the Republic's balance of payments for the periods indicated.

Balance of Payments
(in millions of US$)

	1999	2000	2001	2002	2003	For the nine months ended September 30, 2003[4]	2004[4]
Current account:							
Trade balance:							
Exports (FOB):							
National	US$ 805.2	US$ 966.1	US$ 794.7	US$ 847.7	US$ 1,064.0	US$ 808.0	US$ 1,005.2
Free trade zones	4,331.5	4,770.6	4,481.6	4,317.3	4,406.8	3,323.8	3,286.2
Total exports	US$5,136.7	US$5,736.7	US$5,276.3	US$5,165.0	US$5,470.8	US$4,131.8	US$4,291.4
Imports (FOB):							
National	(5,206.8)	(6,416.0)	(5,952.9)	(6,237.3)	(5,095.9)	(3,907.1)	(3,823.8)
Free trade zones	(2,834.3)	(3,062.5)	(2,826.4)	(2,600.4)	(2,530.9)	(1,930.4)	(1,853.1)
Total imports	(8,041.1)	(9,478.5)	(8,779.3)	(8,837.7)	(7,626.8)	(5,837.5)	(5,676.9)
Trade balance	(2,904.4)	(3,741.8)	(3,503.0)	(3,672.7)	(2,156.0)	(1,705.7)	(1,385.5)
Services balance, net[1]	1,602.2	1,854.3	1,826.4	1,757.3	2,249.2	1,794.3	1,840.8
Of which:							
Income from tourism	2,483.3	2,860.2	2,798.3	2,730.4	3,127.8	2,455.2	2,471.4
Financial and investment income, net	(974.8)	(1,041.3)	(1,091.7)	(1,151.8)	(1,393.3)	(1,111.7)	(971.5)
Current transfers, net	1,847.8	1,902.3	2,027.5	2,269.3	2,335.9	1,686.7	1,779.4
Of which:							
Workers' remittances	1,518.7	1,689.0	1,807.9	1,959.6	2,060.5	1,492.0	1,588.5
Current account balance	(429.2)	(1,026.5)	(740.8)	(797.9)	1,036.2	663.7	1,263.2
Capital account:							
Foreign direct investment	1,337.8	952.9	1,079.1	916.8	613.0	522.8	463.2
Portfolio investment, net	(436.9)	264.5	603.7	(25.7)	543.8	536.0	(27.4)
Other medium- and long-term capital	109.6	184.2	322.4	413.2	509.2	80.6	181.8
Of which:							
Disbursements to the public sector	313.7	350.8	499.1	678.1	881.8	529.2	612.8
Other capital, including short-term capital	62.2	195.0	(301.7)	(921.3)	(1,682.3)	(1,246.8)	(1,407.2)
Capital account balance	1,072.7	1,596.6	1,703.5	383.1	(16.3)	(107.4)	(789.5)
Errors and omissions[2]	(480.5)	(618.1)	(447.8)	(139.9)	(1,566.3)	(897.2)	(275.2)
Total balance of payments	US$ 163.0	US$ (48.0)	US$ 515.0	US$ (554.7)	US$ (546.5)	US$ (341.0)	US$ 198.5
Financing:							
Change in gross official reserves	US$ (193.7)	US$ 69.5	US$ (518.5)	US$ 526.5	US$ 358.0	US$ 314.4	US$ (307.7)
Use of IMF resources	—	—	—	(25.6)	92.9	100.0	65.7
Exceptional financing, net[3]	30.7	(21.5)	3.5	53.8	95.6	(73.4)	43.6
Total financing	US$ (163.0)	US$ 48.0	US$ (515.0)	US$ 554.7	US$ 546.5	US$ 341.0	US$ (198.5)
Memorandum item:							
Current account balance (as a % of GDP)	(2.5)	(5.2)	(3.4)	(3.7)	6.2	6.0	11.7

(1) Includes income from tourism and other services, less expenses from tourism, freight and other services.
(2) Represents errors and omissions in compiling balance of payment accounts based on double-entry accounting resulting from incomplete or overlapping coverage, different prices and incomplete times of recording and conversion practices.
(3) Comprised of debt aid, debt restructuring and arrears, among others.
(4) Preliminary data.

Source: Central Bank.

Foreign Trade

In recent years, the Dominican economy has been one of Latin America's most open economies to foreign trade, due to its relatively low effective average import tariffs and the lack of import tariffs in the free trade zones. In 2003, the combined value of the Republic's imports and exports of goods and services equaled 79% of the country's GDP, reflecting the high degree of openness of the Dominican economy to foreign trade.

The trade deficit increased from US$2.9 billion in 1999 to US$3.7 billion in 2002, primarily due to increased imports of goods (in particular, capital goods) and more expensive refined petroleum products. In 2003, the trade deficit decreased to US$2.1 billion, primarily due to lower demand for imports and the positive effect of the peso's depreciation on exports. Total exports (including exports from free trade zones) increased from US$5.1 billion in 1999 to US$5.5 billion in 2003. Total imports (including imports into free trade zones) increased from US$8.0 billion in 1999 to US$8.8 billion in 2002. During 2003, imports decreased to US$7.6 billion, as a result of the slowdown in the Dominican economy and the depreciation of the peso.

During the first nine months of 2004, the trade deficit reached US$1.4 billion, reflecting a decrease of 18.8% as compared to the same period in 2003. Total exports were US$4.3 billion, as compared to US$4.1 billion for the same period in 2003. Total imports totaled approximately US$5.7 billion, as compared to US$5.8 billion during the same period in 2003.

The Dominican Republic maintains close commercial ties with the United States, its principal trading partner. During the first nine months of 2004, 80.3% of the Republic's total exports were bound for the United States and Puerto Rico, while 50.2% of total imports came from U.S. ports.

In August 2004, the Dominican Republic and the United States executed the DR-CAFTA, which upon ratification by the Congress of both countries, will eliminate 80% of tariffs on imported goods immediately, with the remaining 20% to be phased out over a 5- to 20-year period. An estimated 99.7% of Dominican exports to the United States will enter tariff-free. The Republic may be required to modify or eliminate the foreign exchange commission that is currently imposed on imports as a prerequisite to membership. The DR-CAFTA is awaiting ratification by the Dominican Congress and the U.S. Congress.

Import quotas on textiles were eliminated in all WTO member countries on January 1, 2005, with the termination of the WTO Agreement on Textiles and Clothing. The Dominican Republic's textiles exports to the United States and other markets may decrease significantly as a result of greater competition from China and India. Until this year, the Dominican Republic benefited from preferential access to the U.S. market through the Textile Parity Agreement. See "The Economy—Principal Sectors of the Economy—Secondary Manufacturing—Free Trade Zones."

In 2003, exports from the Republic consisted primarily of:

- exports from free trade zones (such as textiles, electronics and jewelry) valued at US$4.4 billion, representing 80.6% of total exports;

- traditional exports (consisting of certain goods that the Republic has historically exported, such as sugar, tobacco and coffee) valued at US$449.0 million, representing 8.2% of total exports; and

- non-traditional exports (consisting of other products that the Republic currently exports, such as beer and fruits) valued at US$151.8 million, representing 2.8% of total exports.

The following tables set forth further information regarding exports for the periods indicated.

Exports
(in millions of US$ and as a % of total exports)

	1999		2000		2001		2002		2003(1)		For the nine months ended September 30, 2003(1)		2004(1)	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Free trade zones:														
Textiles	2,393.1	46.6	2,555.4	44.5	2,314.4	43.9	2,226.8	43.1	2,196.4	40.1	1,662.5	40.2	1,534.2	35.7
Footwear	287.3	5.6	265.8	4.6	278.1	5.3	201.5	3.9	202.5	3.7	156.2	3.8	146.3	3.4
Electronics	453.2	8.8	568.2	9.9	456.6	8.7	498.9	9.7	577.6	10.6	426.6	10.3	439.8	10.2
Tobacco manufacturing	294.7	5.7	329.1	5.7	326.1	6.2	303.4	5.9	287.6	5.3	204.7	5.0	242.6	5.7
Jewelry	331.1	6.4	354.6	6.2	398.4	7.6	438.1	8.5	466.8	8.5	309.2	7.5	416.3	9.7
Medical drug products	310.5	6.0	320.2	5.6	306.3	5.8	317.9	6.2	320.7	5.9	243.8	5.9	260.0	6.1
Other	261.6	5.1	377.3	6.6	401.7	7.6	330.7	6.4	355.0	6.5	320.9	7.8	247.0	5.8
Total free trade zones	4,331.5	84.3	4,770.6	83.2	4,481.6	84.9	4,317.3	83.6	4,406.8	80.6	3,323.8	80.4	3,286.2	76.6
Traditional:														
Sugar and related products	89.6	1.7	89.6	1.6	88.8	1.7	99.2	1.9	96.9	1.8	94.0	2.3	93.3	2.2
Coffee	23.8	0.5	33.0	0.6	11.1	0.2	12.8	0.2	16.5	0.3	15.4	0.4	5.1	0.1
Cocoa	24.7	0.5	26.1	0.5	42.7	0.8	67.0	1.3	77.0	1.4	68.5	1.7	54.2	1.3
Tobacco	53.8	1.0	44.7	0.8	30.4	0.6	25.5	0.5	19.9	0.4	15.2	0.4	26.6	0.6
Nickel-iron	143.9	2.8	237.4	4.1	145.2	2.8	156.2	3.0	238.7	4.4	163.9	4.0	282.3	6.6
Doré	6.9	0.1	—	—	—	—	—	—	—	—	—	—	—	—
Total traditional	342.7	6.7	430.8	7.5	318.2	6.0	360.7	7.0	449.0	8.2	357.0	8.6	461.5	10.8
Total non-traditional	177.6	3.5	183.1	3.2	142.3	2.7	112.8	2.2	151.8	2.8	116.8	2.8	168.8	3.9
Total other(2)	284.9	5.5	352.2	6.1	334.2	6.3	374.2	7.2	463.2	8.5	334.2	8.1	375.0	8.7
Total exports	5,136.7	100.0	5,736.7	100.0	5,276.3	100.0	5,165.0	100.0	5,470.8	100.0	4,131.8	100.0	4,291.4	100.0

(1) Preliminary data.
(2) Includes goods sold at port.
Source: Central Bank.

Geographic Distribution of Exports
(% of total exports)

	1999	2000	2001	2002	2003	For the nine months ended September 30, 2003[2]	2004[2]
United States[1]	88.5%	87.2%	87.4%	85.2%	83.3%	83.7%	80.3%
Canada	0.9	0.7	0.6	1.3	1.0	1.1	0.7
Mexico	0.2	0.2	0.1	0.2	0.1	0.1	0.1
Total North America	89.6	88.1	88.0	86.7	84.4	84.9	81.2
Argentina	—	—	0.1	—	—	—	—
Brazil	—	—	—	—	—	—	—
Colombia	—	—	—	0.1	—	—	0.1
Costa Rica	0.1	0.1	0.1	0.1	0.1	0.1	0.1
El Salvador	—	0.1	0.1	—	—	—	—
Guatemala	0.1	—	0.1	0.1	0.1	0.1	0.1
Haiti	1.3	2.0	1.0	2.1	2.4	2.1	1.8
Honduras	0.3	0.3	0.4	0.6	0.3	0.3	0.3
Jamaica	0.2	0.2	0.2	0.2	0.3	0.3	0.4
Venezuela	0.1	0.1	0.2	—	0.1	0.1	—
Other	1.1	1.3	1.3	1.0	0.9	0.9	1.0
Total Latin America and Caribbean	3.1	4.2	3.4	4.2	4.2	3.8	3.8
Belgium	2.1	1.7	1.7	1.2	0.9	1.0	1.0
France	0.3	0.6	1.1	0.7	0.3	0.4	0.6
Germany	0.4	0.6	0.8	0.8	0.5	0.5	0.4
Italy	0.4	0.5	0.5	0.5	0.4	0.4	0.7
The Netherlands	1.0	1.1	1.8	1.5	1.4	1.5	1.7
Spain	0.3	0.4	0.7	0.9	0.7	0.7	1.0
Other	1.1	0.9	1.3	1.9	1.8	1.8	1.5
Total Europe	5.6	5.8	7.9	7.5	5.9	6.3	6.9
Japan	0.2	0.2	0.5	0.7	0.4	0.5	1.0
Other	1.2	0.8	0.1	0.9	1.6	1.5	0.7
Total Asia	1.4	1.0	0.6	1.5	2.1	2.0	1.8
Africa	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Other	—	0.7	—	—	3.4	2.9	6.3
Total exports	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes Puerto Rico.
(2) Preliminary data.
Source: Central Bank

In 2003, imports into the Republic consisted of:

- consumer goods valued at US$2.4 billion, representing 31.6% of total imports;
- intermediate goods valued at US$1.8 billion, representing 23.2% of total imports;
- capital goods valued at US$0.9 billion, representing 12.0% of total imports; and
- imports into the free trade zones valued at US$2.5 billion, representing 33.2% of total imports.

The following table sets forth further information regarding imports for the periods indicated.

Imports
(in millions of US$ and as a % of total imports)

	1999		2000		2001		2002		2003(1)		For the nine months ended September 30, 2003(1)		2004(1)	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Consumer goods:														
Durable goods	542.8	6.8	631.8	6.7	576.0	6.6	764.4	8.6	315.3	4.1	230.1	3.9	233.3	4.1
Refined petroleum products	615.7	7.7	1,096.3	11.6	944.8	10.8	947.6	10.7	977.1	12.8	756.0	13.0	790.9	13.9
Other	1,210.4	15.1	1,459.2	15.4	1,354.2	15.4	1,372.1	15.5	1,116.6	14.6	828.9	14.2	777.9	13.7
Total consumer goods	2,368.9	29.5	3,187.3	33.6	2,875.0	32.7	3,084.1	34.9	2,409.0	31.6	1,815.0	31.1	1,802.1	31.7
Intermediate goods:														
Crude oil and reconstituted fuel	255.3	3.2	408.9	4.3	307.4	3.5	349.4	4.0	438.8	5.8	347.7	6.0	417.5	7.4
Other	1,532.1	19.1	1,622.6	17.1	1,485.2	16.9	1,514.5	17.1	1,332.9	17.5	1,009.6	17.3	995.9	17.5
Total intermediate goods	1,787.4	22.2	2,031.5	21.4	1,792.6	20.4	1,863.9	21.1	1,771.7	23.2	1,357.3	23.3	1,413.4	24.9
Capital goods	1,050.5	13.1	1,197.2	12.6	1,285.3	14.6	1,289.3	14.6	915.2	12.0	734.8	12.6	608.3	10.7
Imports into the free trade zones	2,834.3	35.2	3,062.5	32.3	2,826.4	32.2	2,600.4	29.4	2,530.9	33.2	1,930.5	33.1	1,853.1	32.6
Total imports	8,041.1	100.0	9,478.5	100.0	8,779.3	100.0	8,837.7	100.0	7,626.8	100.0	5,837.6	100.0	5,676.9	100.0

(1) Preliminary data.
Source: Central Bank.

Geographic Distribution of Imports(1)
(% of total imports)

	1999	2000	2001	2002	2003	For the nine months ended September 30, 2003(2)	2004(3)
United States(3)	65.2%	60.6%	58.6%	56.7%	57.2%	54.0%	50.2%
Canada	0.5	0.5	0.6	0.7	1.4	0.9	1.0
Mexico	3.3	4.7	4.5	4.0	5.3	5.2	3.3
Total North America	69.0	65.8	63.6	61.4	63.9	60.2	54.5
Argentina	0.5	0.2	0.4	0.9	1.0	1.0	1.3
Brazil	1.0	1.0	1.3	2.0	2.8	2.9	3.6
Chile	0.3	0.2	0.3	0.3	0.4	0.4	0.4
Colombia	0.9	0.8	1.0	1.8	3.8	4.1	4.0
Guatemala	0.4	0.3	0.3	0.6	0.6	0.6	0.5
Panama	1.5	1.7	1.6	1.7	1.8	1.6	1.4
Trinidad and Tobago	0.2	0.5	0.5	0.3	1.6	1.5	1.4
Venezuela	8.3	10.4	8.5	9.2	3.1	3.8	3.9
Other	1.5	1.7	3.2	3.7	4.6	3.7	11.6
Total Latin America and the Caribbean	14.7	16.8	17.2	20.4	19.7	19.7	28.0
Spain	2.7	2.7	2.7	2.9	2.4	2.6	2.8
Denmark	0.5	0.5	0.5	0.6	0.4	0.3	0.5
Germany	1.5	1.6	1.9	1.2	1.4	1.4	1.2
Italy	0.6	0.9	1.0	1.1	1.5	1.6	2.1
France	0.4	0.7	0.7	0.7	0.8	1.0	0.5
Belgium	0.3	0.3	0.4	0.4	0.6	0.5	0.4
Norway	0.2	0.2	0.2	0.3	0.2	0.2	0.2
Other	1.5	1.5	1.8	1.9	2.0	2.6	1.8
Total Europe	7.8	8.4	9.2	9.0	9.3	10.3	9.5
Japan	3.0	3.0	4.0	4.4	2.5	2.5	2.1
China and Taiwan	1.6	2.1	2.4	2.4	1.9	2.9	3.5
South Korea	2.2	1.6	1.4	1.1	0.7	0.8	0.4
Other	1.3	1.8	1.6	1.0	1.7	1.5	1.5
Total Asia	8.1	8.4	9.4	8.9	6.8	7.7	7.4
Africa	0.1	0.3	0.4	0.1	0.2	0.2	0.5
Oceania	0.3	0.2	0.3	0.3	0.2	0.3	0.1
Other regions	—	—	—	—	—	1.6	—
Total imports	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Numbers are based on the country of origin specified by the importer upon entry of goods into the Dominican Republic. The origin specified usually refers to the last port the merchandise came from prior to arrival in the Dominican Republic.
(2) Preliminary data.
(3) Includes Puerto Rico.
Source: Central Bank.

The tariff reform approved in 2000 reduced the maximum tariff from 35% to 20%, and the number of tariffs from nine to five. These changes represented the second of two tariff reforms that the Republic undertook in the last 15 years. In the first of these two reforms, which took place in 1990, the maximum tariff was set at 35% from a level that had previously exceeded 200%.

The current import tariff structure is as follows:

- 20% tariff (which replaced the 35%, 30% and 25% tariffs) applies to the large majority of consumer goods;

- 14% tariff (which replaced the 20% tariff) applies to certain intermediate goods;

- 8% tariff (which replaced the 15% and 10% tariffs) applies primarily to raw materials and capital goods;
- 3% tariff (which replaced the 10% and 5% tariffs) applies primarily to raw materials that are essential for the production of foods; and
- 0% tariff (which replaced the 1.5% tariff) applies to supplies, machinery and equipment used in the textile, agricultural and livestock sectors, and educational materials.

In January 2004, the Republic imposed a 2% tax on imports, which expired on December 31, 2004, the proceeds of which were directed to the Central Bank to finance macroeconomic stabilization programs.

Effective January 1, 2005 the Republic currently imposes a 13% foreign exchange commission that is charged on imported goods purchased abroad and is calculated based on the value of an imported good at the selling rate of foreign exchange.

In 2003, the effective average import tariff was 7.1%, as compared to 11.4% in 2002. The Government estimates that the effective average import tariff was approximately 5.9% in 2004.

Services Trade

The Dominican Republic's services trade consists primarily of tourism. Although there were slight declines in 2001 and 2002, gross income from tourism increased from US$2.5 billion (14.3% of GDP) in 1999 to US$3.1 billion (18.8% of GDP) in 2003. This increase resulted from greater investment in the tourism sector that resulted in a 13.6% increase in available hotel rooms and an 8.7% increase in the average hotel occupancy rate from 1999 levels. Tourism became a principal source of foreign currency in the Dominican economy, and helped contribute to increasing annual surpluses in the Republic's services trade. Various sectors of the economy are benefited from tourism, including agriculture, wholesale and retail trade, restaurants, bars and hotels, construction, real estate and transportation.

The terrorist attacks of September 11, 2001 had a negative impact on tourism in the Republic in 2001 and 2002. Income from tourism decreased by 9.3% during the first nine months of 2002, as compared to the same period in 2001. Tourism started to recover in October 2002 and tourist arrivals increased 27.1% in November 2002 and 27.8% in December 2002, as compared to the same months in 2001. Income from tourism in 2003 was US$3.1 billion, which amounted to a 14.6% increase from 2002 and reflected strong tourism demand resulting in part from the depreciation of the peso, which made travel to the Republic cheaper in dollar and euro terms.

In 2004, income from tourism grew 1.7% despite high petroleum prices and a major hurricane. According to the Caribbean Tourism Organization, the Dominican Republic ranks third among Caribbean tourist destinations in terms of income, after Puerto Rico and Cancun, Mexico. An estimated US$250 million in investment in the tourism sector and the opening of approximately 3,500 hotel rooms are projected for 2005.

The Dominican Republic attracts visitors primarily from Europe and the United States and Canada and to a lesser extent, from Central and South America and other countries, as well as Dominicans visiting from abroad. The following table sets forth certain additional information on tourism in the Dominican Republic for the periods indicated.

Tourism Statistics

	1999	2000(1)	2001	2002	2003	For the nine months ended September 30, 2003(1)	2004(1)
Arrivals by airplane (number of passengers):							
Total arrivals	3,023,459	3,325,335	3,199,318	3,131,179	3,583,847	2,707,660	2,874,462
Foreign non-resident arrivals	2,655,494	2,978,024	2,881,999	2,811,017	3,282,138	2,485,887	2,633,725
Average length of stay (number of nights):							
Non-resident foreigners	10	10	10	10	9	9	9
Non-resident Dominicans	17	16	20	22	20	20	19
Hotel activity:							
Number of rooms available	49,623	51,916	54,034	54,730	56,393	55,569	50,157(2)
Occupancy rate (in %)	66.9%	70.2%	66.3%	62.8%	72.7%	74.1%	76.4%
Aggregate value of hotels, bars and restaurants (in millions of US$)	1,107	1,261	1,378	1,333	1,179	817	792
Income from tourism (in millions of US$)	2,483	2,860	2,798	2,730	3,128	2,455	2,471
Expenses from tourism (in millions of US$)	(264)	(309)	(291)	(295)	(272)	(210)	(218)
Balance (income less expenses)	2,260	2,551	2,508	2,435	2,838	2,245	2,254

(1) Preliminary data.
(2) The number of rooms available in September 2004 reflects the temporary closure of approximately 6,000 rooms due to the effects of Hurricane Jeanne.
Source: Central Bank.

Remittances

Remittances consist of funds sent to people and institutions in the Republic by Dominicans residing and working abroad. Remittances have grown substantially in recent years, particularly from Dominicans living in the United States. According to the 2000 U.S. census, nearly 800,000 people of Dominican origin live in the United States. Between 1999 and 2003, remittances grew 35.7%, from US$1.5 billion in 1999 to US$2.1 billion in 2003.

Remittances are one of the most important sources of foreign exchange in the private currency exchange market and provide the foreign currency required to pay for imports that are not paid through the official currency exchange market *(i.e.,* all imports with the exception of crude oil imports). In addition, remittances have been one of the most stable variables in the Republic's balance of payments. In the first nine months of 2004 remittances totaled US$1.6 billion, a 6.1% increase over the US$1.5 billion received in the first nine months of 2003.

Foreign Direct Investment

Foreign direct investment in the Republic grew considerably after enactment of the foreign investment law in 1995, which dismantled barriers to foreign direct investment. For a discussion of this law, see "The Economy—History and Background."

During the period from 1999 to 2003, foreign direct investment fluctuated, ranging from a high of US$1.3 billion in 1999 to a low of US$613 million in 2003. Foreign direct investment in the period from 1999 to 2002 was driven by the following factors:

- the influx of foreign capital in connection with the Government's privatization program, in particular the partial privatization of electrical generation and distribution facilities owned by CDEEE, see "The Economy—Privatization and Role of the State in the Economy—Privatization;" and

- the construction of new hotel facilities and the reconstruction efforts that took place in the aftermath of Hurricane Georges in September 1998.

Foreign direct investment in 2003 and 2004 decreased mainly due to the perception of political and economic instability and the unreliability of the electricity sector. During the first nine months of 2004, foreign direct investment totaled US$463.2 million, as compared to US$522.8 million during the same period in 2003.

During the period from 1999 to 2002, foreign direct investment was primarily directed towards the tourism, communications, wholesale and retail trade, and electricity sectors. This trend continued in 2003 and 2004, with the exception of the electricity sector, which significantly decreased.

The following table sets forth information on foreign direct investment by sector for the years indicated.

Foreign Direct Investment by Sector
(in millions of US$ and as a % of total foreign direct investment)

	1999		2000		2001		2002		2003(1)		For the nine months ended September 30, 2003(2)		2004(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Electricity	631.4	47.2	281.9	29.6	401.9	37.2	143.0	15.6	1.2	0.2	123.7	23.7	44.6	9.6
Communications	98.0	7.3	272.2	28.6	223.3	20.7	260.2	28.4	146.5	23.9	105.3	20.1	44.9	9.7
Wholesale and retail trade	182.6	13.6	153.7	16.1	166.6	15.4	194.2	21.2	102.9	16.8	58.2	11.1	113.2	24.4
Tourism	296.9	22.2	73.7	7.7	155.3	14.4	211.8	23.1	78.5	12.8	97.7	18.7	96.1	20.7
Financial services	40.9	3.1	45.3	4.8	15.1	1.4	27.3	3.0	99.4	16.2	86.7	16.6	27.3	5.9
Other	88.1	6.6	126.2	13.2	116.9	10.8	80.5	8.8	184.5	30.1	51.2	9.8	137.1	29.6
Total	1,337.8	100.0	952.9	100.0	1,079.1	100.0	916.8	100.0	613.0	100.0	522.8	100.0	463.2	100.0

(1) Revised data.
(2) Preliminary data.
Source: Central Bank.

The following table sets forth information on foreign direct investment by country of origin (as a percentage of total foreign direct investment) for the periods indicated.

Foreign Direct Investment by Country of Origin
(in millions of US$ and as a % of total foreign direct investment)

	1999		2000		2001		2002		2003(1)		For the nine months ended September 30, 2003(2)		2004(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
United States	181.2	13.5%	201.6	21.2%	433.5	40.2%	382.1	41.7	461.6	75.3	377.3	72.2	148.3	32.0
Spain	457.1	34.2	190.1	19.9	193.4	17.9	35.0	3.8	(13.3)	(2.2)	15.0	2.9	34.0	7.3
Canada	94.8	7.1	133.2	14.0	10.2	0.9	18.4	2.0	(22.7)	(3.7)	40.3	7.7	51.4	11.1
Cayman Islands	179.2	13.4	37.0	3.9	—	—	(13.7)	(1.5)	(9.1)	(1.5)	(9.1)	(1.7)	4.1	0.9
England	75.7	5.7	17.4	1.8	2.0	0.2	(0.2)	—	(25.2)	(4.1)	15.2	2.9	(0.1)	—
Chile	88.9	6.6	21.6	2.3	0.3	—	—	—	(0.7)	(0.1)	(0.6)	(0.1)	10.3	2.2
Switzerland	16.5	1.2	14.0	1.5	2.0	0.2	4.0	0.4	5.8	0.9	3.1	0.6	2.6	0.6
The Netherlands	61.5	4.6	36.0	3.8	245.2	22.7	119.4	13.0	25.1	4.1	25.1	4.8	19.3	4.2
Italy	13.9	1.0	15.5	1.6	0.7	0.1	5.0	0.5	5.1	0.8	4.5	0.9	1.8	0.4
France	34.4	2.6	97.5	10.2	60.6	5.6	109.6	12.0	33.0	5.4	32.4	6.2	(0.2)	—
Other	134.6	10.1	189.0	19.8	131.2	12.2	257.2	28.1	153.4	25.0	19.6	3.7	191.7	41.4
Total	1,337.8	100.0	952.9	100.0	1,079.1	100.0	916.8	100.0	613.0	100.0	522.8	100.0	463.2	100.0

(1) Revised data.
(2) Preliminary data.
Source: Central Bank.

Foreign direct investment in the Republic has mainly originated from the United States, accounting for 75.3% of total foreign direct investment that entered the Republic in 2003. In the period from 1999 to 2003, the percentage of foreign direct investment originating from the United States as well as Spain and Canada, taken together, has remained stable.

Foreign Portfolio Investment

With respect to portfolio investment, the Republic has not been a significant recipient of short-term speculative capital, mainly as a result of its incipient stock market. To discourage speculative capital from entering the country, the Central Bank has established a minimum reserve requirement with respect to foreign capital deposited in Dominican banks.

THE MONETARY SYSTEM

The Monetary and Financial Administration

The *Ley Monetaria y Financiera* (the "Monetary and Financial Law") was enacted in November 2002 and sets forth the rules and policies governing the Republic's monetary and financial systems. The primary goal of the Monetary and Financial Law is to maintain a stable currency and a sound financial system. The Monetary and Financial Law also created the Monetary and Financial Administration, which regulates the monetary and financial systems. The Monetary and Financial Administration is composed of the *Junta Monetaria* (the Monetary Board), the Central Bank and the *Superintendencia de Bancos* (the Banking Superintendency).

As a result of the banking crisis in 2003 and to facilitate future economic growth and stability, the Fernández administration is in the process of developing policy changes and institutional reforms to strengthen the monetary system and the regulatory framework of the financial sector.

The Monetary Board

The role of the Monetary Board is to establish the monetary, exchange rate and financial policies that are then implemented by the Central Bank. The Monetary Board oversees the Central Bank and the Banking Superintendency and consists of nine members, specifically:

- three ex-officio members (the Governor of the Central Bank, the Secretary of Finance and the Banking Superintendent); and

- six members selected by the President on the basis of their experience and knowledge of the monetary and banking system.

The Fernández administration has announced that it will propose an amendment to the Monetary and Financial Law that will lengthen the term of Monetary Board members from two to at least five years.

Central Bank

The Central Bank was established in 1947 pursuant to the *Ley Orgánica del Banco Central* (the Central Bank Organic Law), as restated in 1962 and subsequently amended. The Central Bank is the sole issuer of Dominican currency and is also responsible for implementing monetary policy, managing the country's international reserves and supervising foreign exchange. The Fernández administration has made reform of the Central Bank a key policy issue, specifically targeting new measures to ensure the Central Bank's independence and accountability.

Under the Monetary and Financial Law, Central Bank loans to the Government or any other public institution are prohibited, except in the case of national emergencies.

To maintain net international reserves, the Government has implemented a variety of measures, including:

- beginning in 2000, issuing certificates of participation ("COPs") that are sold to the private sector;

- in 2000, enacting the Fuel Tax Law to increase taxes on fuel and thereby recover the fiscal revenue losses that led to the need for Central Bank financing in 2000. The Fuel Tax Law removed administrative and political discretion from the determination of domestic fuel prices and provides the Government a steady source of revenues (approximately 1.6% of GDP for 2003). Currently, the Fuel Tax Law requires that 95% of the revenue collected by virtue of the fuel tax be applied to service the Republic's external debt;

- charging a 13% commission on foreign exchange transactions, directed towards the servicing of the public sector external debt (11.25% of which is directed to the Government's external debt and 1.75% of which is directed to the Central Bank's external debt). See "Balance of Payments and Foreign

Trade—Foreign Trade." This commission was raised from 4.75% to 10% in October 2003 and to 13% effective January 1, 2005. In November 2004, a WTO dispute settlement panel ruled that the commission violated the GATT. The Dominican Republic filed a notice of appeal on January 24, 2005. In 2003, these foreign exchange commissions generated revenues equivalent to 1.3% of GDP; and

- in 2004, imposing a 2% import tax on all goods entering the Republic. This tax expired on December 31, 2004 and the proceeds were directed to the Central Bank for financing economic stabilization programs.

Despite these measures, the Central Bank's quasi-fiscal deficit increased from US$51.6 million in 2002 to US$1.1 billion in 2004. This was primarily due to an increase in interest payments on debt issued to finance the US$2.1 billion in losses that the Government assumed in 2003 in the aftermath of the banking crisis. See "Public Sector Finances—Consolidated Public Sector" and "Public Debt Sector—External Debt."

- a DOP2.3 billion issuance by the Central Bank, the proceeds of which are planned to be used to reduce the Central Bank's quasi-fiscal deficit and comply with capital requirements agreed to with the IMF as part of the country's financial sector reforms. The bonds will accrue interest at 2%, adjusted for inflation, and will mature in ten years following the date of their issuance; and

- a DOP1.5 billion issuance by the Republic to capitalize *Banco de Reservas*. The bonds will accrue interest at 2%, adjusted for inflation, and will mature in ten years following the date of their issuance.

The 2003 Economic Crisis and Impetus for Reform

During 2003, following the collapse of BanInter and its subsequent takeover by the Banking Superintendency, the financial system experienced severe instability provoked by a run on banks by depositors. In the aftermath of the collapse of BanInter and the near insolvency of other financial institutions, the Government moved to rescue depositors, which in turn strained public finances and monetary policy. These ills were further aggravated by rising inflation, a sharp depreciation of the peso, rising domestic interest rates and a continuing lack of public confidence in the banking system. See "The Economy—The Economic Crisis."

The broad impact of the financial crisis underscored the necessity of imposing discipline on monetary policy and strengthening the regulatory framework of the financial system as part of a comprehensive economic reform program. Reform of the monetary and financial systems has been a key policy objective of the Fernández administration and is an integral part of the Republic's 2005 IMF Stand-By Arrangement.

The following sections provide information about the various inter-related facets of the Dominican monetary and financial system in the period from 1999 to 2003, prior to the crisis and thereafter.

Monetary Policy

The Central Bank's monetary policy is intended to control inflation and foster a stable macroeconomic environment. Although the Central Bank does not have direct control over the pace of economic growth or over other economic factors (such as the value of the currency or price levels) it uses various policy tools to accomplish its goals.

From 1999 to 2001, the Central Bank balanced competing goals and objectives, including:

- fostering economic growth while forestalling significant inflation;

- maintaining currency values that permitted the Republic's exports and services to be priced competitively with those of Mexico and other countries in Central America and the Caribbean;

- setting banking reserves at levels that safeguarded the health and strength of the financial system while ensuring that there was, at any given time within the period, enough liquidity to foster economic growth; and

- increasing net international reserves to support the currency and the money supply.

These goals reflect the challenges that the Central Bank faced from economic growth experienced during the period. The Central Bank managed these challenges through monetary policies that resulted in relatively low rates of inflation and a stable real exchange rate.

In 2002 and 2003, the Central Bank used its monetary policy to attempt to stabilize the real exchange rate, including the following measures:

- executing open-market operations, involving the buying and selling of COPs. The Central Bank sells COPs to reduce the money supply and thus avoid losses of reserves and a devaluation of the peso, and repurchases COPs to increase the liquidity of the local currency;

- executing foreign exchange transactions in the private exchange market to maintain the stability of the exchange rate and to avoid excessive appreciation or depreciation of the peso;

- modifying capital reserve requirements to safeguard the banking system against problem loans and unexpected withdrawals by customers; and

- reducing the interest rates payable by the Central Bank on short-term deposits, thereby establishing a lower benchmark for short-term interest rates.

The Central Bank's policies with respect to the exchange rate are also an important part of the implementation of monetary policy. See "—Foreign Exchange and International Reserves."

During 2001, the Central Bank was able to lower interest rates by reducing the issuance of COPs. This strategy allowed for a reduction in weighted average interest rates on bank loans of 3.2 percentage points in 2001. However, beginning in the fourth quarter of 2001, a decrease in the growth of exports and other generators of foreign exchange such as tourism, followed by an the increase in oil prices during 2002, put downward pressure on the peso.

In order to mitigate the adverse impact on the exchange rate and inflation, the Central Bank intervened by selling international reserves, which reduced the supply of local currency. This decrease in the money supply increased interest rates, with average lending rates reaching 26.1% in 2002, as compared to 23.6% in 2001. Rates continued to increase in 2003 as the peso continued to depreciate, with nominal lending rates increasing to 31.4%.

During the second half of 2004, the Central Bank maintained a tight monetary policy, resulting in declining inflation and stabilizing currency values, as compared to the same period in 2003. The Central Bank increased the issuance of COPs to reduce liquidity during 2004, while extending the certificates' maturities and reducing nominal interest rates in line with inflation projections.

Supervision of the Financial System

The Banking Superintendency was created in 1947 and is part of the *Secretaría de Estado de Finanzas* (the "Ministry of Finance"). The Banking Superintendency supervises financial institutions in order to verify their compliance with regulations promulgated under the Monetary and Financial Law.

Rules Governing the Financial System

In 1992, the Banking Superintendency initiated a program with assistance from the IDB to reform its regulatory framework for banking supervision. As part of this program, the Banking Superintendency implemented measures that included the following:

- a capital adequacy ratio that requires capital and reserves as a percentage of risk-weighted assets to equal 10%;
- programs for regulatory on-site audits and periodic reporting requirements that are published in national newspapers, which are intended to ensure that banks comply with regulatory standards;
- uniform accounting rules for the financial system;
- evaluation of market risk based on:
  - Ø liquidity risk, which derives from the incapacity of a financial institution to cover the requested resources generated by its liabilities and other obligations, in both local and foreign currency;
  - Ø interest rate risk, which refers to the potential losses of net income or in the capital base due to the incapacity of the institution to adjust the return on its productive assets (loan portfolio and financial investment) with the fluctuation in the cost of its resources, produced by fluctuations in interest rates; and
  - Ø exchange rate risk, which refers to potential losses that could occur due to short positions or term unbalance of assets and liabilities denominated in foreign currency, in the event of exchange rate movements;
- solvency indicators similar to those proposed under the Basle Accord; and
- a more rigorous method for classifying financial assets in terms of risk.

This method of risk-based classification reduced the number of risk categories and increased the amounts financial institutions are required to reserve in order to mitigate potential losses arising from certain loans ("loan-loss reserves"). With respect to loan-loss reserves, current regulations impose reserve requirements based on risk categories of financial assets. The Banking Superintendency revises its regulations in accordance with international standards and with the goal of increasing the average quality of the financial system's loan portfolio. The current legal reserve requirement mandates that all commercial banks deposit 17% of their aggregate deposits with the Central Bank.

The following table sets forth the Banking Superintendency's current risk categories and the corresponding loan-loss reserve requirements:

Risk Categories and Required Loan-loss Reserves
(as a % of total portfolio)

	Commercial and Consumer Loans		Mortgage Loans	
Category	**Loan-loss reserve**	**Criteria[1] (days past due)**	**Loan-loss reserve**	**Criteria[1] (days past due)**
A	0	0-30	0	0-30
B	2	31-60	2	31-60
C	20	61-120	20	61-180
D	60	121-180	35	181-270
E	100	>180	50	>270

(1) These criteria apply only to consumer mortgage loans. For commercial mortgage loans, a borrower's financial statements are taken into account to determine a borrower's ability to pay, as well as its credit history and guarantees.
Source: Banking Superintendency.

The following tables set forth information regarding loans of the banking system by risk category and past-due loans by type of institution, as of September 30, 2004.

Classification of Aggregate Assets of the Dominican Financial System
(as a % of total loans)

	As of September 30, 2004			
Category	**Commercial loans**	**Consumer loans**	**Mortgage loans**	**Total**
A	37.3%	87.8%	90.0%	52.2%
B	13.1	4.4	5.4	10.7
C	29.5	2.6	2.4	21.7
D	13.7	0.9	0.7	10.0
E	6.4	4.2	1.5	5.5
Total	100.0%	100.0%	100.0%	100.0%

Source: Banking Superintendency.

The Dominican Financial System — Past-Due Loans
(as a % of total loans)

	As of September 30, 2004				
				Total loan-loss reserve(2)	
	Loans 31-90 days past due(1)	**Loans >90 days past due(1)**	**Total past-due loans(1)**	**% of past-due loans**	**% of total loans**
Commercial banks	1.6	7.4	9.0	87.2	7.8
Development banks	0.6	8.7	9.2	40.8	3.8
Mortgage banks	—	13.9	13.9	95.1	13.2
Savings and loan associations	1.1	5.6	6.7	39.0	2.6
Finance institutions	1.3	9.9	11.2	68.0	7.6
Small loans lending institutions	2.9	12.2	15.1	46.2	7.0
Government-owned financial institutions	—	1.8	1.9	57.7	1.1
Total past-due loans	1.5	7.1	8.6	79.6	6.9

(1) Includes only outstanding principal.
(2) Corresponds to provisions for all loan categories.
Source: Banking Superintendency.

The Monetary and Financial Law establishes minimum capital requirements for financial institutions:

- DOP163.0 million (US$5.5 million) for banks that offer multiple financial services;
- DOP33.0 million (US$1.1 million) for savings and loan associations; and
- DOP9.0 million (US$307,700) for credit corporations.

The Monetary and Financial Law establishes a contingency fund to be financed with mandatory contributions from financial institutions and managed by the Central Bank. On an annual basis, the contributions must amount to a minimum of 0.1% of each financial institution's total deposits. The fund will serve as insurance for deposits and will insure up to DOP500,000 (US$17,000) per depositor.

The Monetary Board has set limits on the aggregate amount that financial institutions may lend to a single person or business, which for unsecured credits may not exceed 10% of the financial institution's total capital and reserves. This percentage increases to 20% for secured credits (*e.g.*, where tangible goods serve as collateral).

Post-Crisis Reforms of the Financial System

In response to the banking crisis of 2003, the Government instituted a set of reforms of the financial system. The purposes of these reforms are to strengthen the regulation of domestic banks and to ensure the solvency of the financial system. The reform program includes the following measures:

- *Related-Party Lending.* The Monetary Board passed a resolution that regulates and limits lending by financial institutions to related parties to prevent financial institutions from extending credit to related parties on more favorable terms (as measured in installment periods, interest rates and adequacy of collateral) than to non-related parties. "Related parties" are defined as shareholders, members of the board of directors, officers, managers, legal counsel, employees and any other entities that directly or indirectly control a financial institution. Under the resolution:

    Ø unsecured credit to related parties may not exceed 10% of a financial institution's assets;

    Ø credit secured with a first mortgage or equivalent collateral may not exceed 20% of a financial institution's total assets; and

    Ø loans to managers and employees may not exceed 10% of a financial institution's assets.

- *Off-Shore Entities.* The Monetary Board has imposed requirements on banks that maintain or establish off-shore entities or foreign branches, agencies and offices. To establish a foreign operation, a domestic bank must obtain the authorization of the Monetary Board through the Banking Superintendency. In determining whether to grant such authorization, the Monetary Board considers the financial and operational sufficiency of the financial institution. In addition, domestic banks must provide financial and operating information for their off-shore entities, on an individual and collective basis.

- *Auditor Independence.* The Monetary Board has established new rules that govern external auditors and their independence with respect to financial institutions and exchange agents. Principal provisions include:

    Ø an external auditor may not maintain an economic interest in any financial institution that it audits nor provide consulting services to a financial institution that it has been engaged to audit;

    Ø a member of the audit team may not have served as a consultant or advisor for three years prior to auditing a financial institution;

    Ø external auditors must be registered with the Banking Superintendency, and a financial institution must notify the Banking Superintendency within 15 days of contracting the services of an external auditor;

    Ø external auditors must rotate the partners responsible for auditing a financial institution or exchange agency every three years; and

    Ø external auditors must conform with the International Standards on Auditing.

- *Internal Controls.* External auditors are required to evaluate the internal controls of financial institutions that they audit. Aspects and operations of a financial institution subject to review include:

    Ø corporate governance;

    Ø liquidity;

    Ø credit management;

- Ø financial and market risk controls;
- Ø related party, inter-branch and inter-office activities;
- Ø derivative activities;
- Ø investment policy;
- Ø foreign currency transactions; and
- Ø debit and credit cards.

- *Asset Valuation.* The Monetary Board has mandated that the banking system comply with stricter international standards for asset valuation as of January 1, 2005 and has required that all banks submit five-year business plans by May 2005, which are to be subsequently reviewed by the Banking Superintendency. Beginning in December 2005, these business plans will be updated twice a year on the basis of financial statements audited by an internationally-recognized accounting firm from an investment grade country.

- *Capital Adequacy.* The Banking Superintendency has established new procedures for determining the net worth of domestic banks and re-capitalization. By April 2005, all banks are required to submit 2004 audited financial statements to prove compliance with a 10% capital adequacy ratio of risk-weighted assets. Credit market and liquidity risks, considered on a consolidated basis, are subject to this requirement. Any bank that is undercapitalized will be required to submit and adhere to a remediation plan.

- *Liquidity Assistance.* The Banking Superintendency is expected to begin implementing stricter regulation of liquidity assistance to banks. Under this plan, if a bank requests liquidity support exceeding:

  - Ø 20% of its capital, the bank must suspend lending activities;
  - Ø 50% of its capital, the bank must submit a plan to collect associated loans within two weeks; or
  - Ø 100% of its capital, the bank's shareholders must pledge their shares as collateral.

Financial Sector

As of December 31, 2003, the Dominican financial sector was comprised of 136 financial institutions, including:

- 13 commercial banks;
- 16 development banks (which cannot receive sight deposits or participate in the foreign exchange markets);
- 18 savings and loan associations;
- 60 *financieras* (small finance institutions which originally were unregulated);
- one mortgage bank;
- 23 small lending institutions; and

- five government-owned financial institutions.

Other participants in the financial sector include insurance companies (36 as of December 31, 2003), of which one is public (the *Seguros Banreservas Company*), pension funds (including the state-owned pension fund *AFP Banreservas)* and the Dominican Republic Stock Exchange.

Banco de Reservas is the state-owned commercial bank and ranks second among Dominican commercial banks in terms of total assets. The Government acquired *Banco de Reservas* in 1941. *Banco de Reservas* is subject to the same regulations that govern other commercial banks and provides retail services similar to those provided by private commercial banks. In addition, *Banco de Reservas* receives all deposits of public sector entities and pays all checks issued by the Government. For the fiscal year ended December 31, 2004, *Banco de Reservas* reported net profits of US$39.2 million.

The following table identifies the number of financial institutions and percentage of loans and deposits corresponding to each category as of the dates indicated.

Number of Financial Institutions and Percentage of Loans and Deposits(1)

	As of December 31,					As of September 30, 2004	
	1999	**2000**	**2001**	**2002**	**2003**	**Loans**	**Deposits**
Commercial banks(2)	15	15	12	14	13	79.4%	94.1%
Development banks	15	17	17	15	16	2.9	0.6
Mortgage banks	1	1	1	1	1	—	—
Savings and loan associations	18	18	18	18	18	14.4	5.3
Financieras	85	78	75	71	60	1.8	—
Small lending institutions	30	27	24	23	23	0.2	—
Government-owned financial institutions	5	5	5	5	5	1.3	—
Credit card issuing entities	1	—	—	—	—	—	—
Total	170	161	152	147	136	100.0%	100.0%

(1) Excludes insurance companies, private pension funds and the Dominican Republic Stock Exchange.
(2) Includes banks authorized to offer multiple banking services, including the *Banco de Reservas.*
Source: Banking Superintendency.

The following table shows the percentage interest in total assets of the financial system held by various categories of financial institutions as of the dates indicated.

Number of Financial Institutions in Operation and Share of Total Assets of the Financial System

	Number of Institutions			Share of Total Assets
	As of December 31, 2002	**As of December 31, 2003**	**As of September 30, 2004**	**As of September 30, 2004**
Commercial banks[1]	14	13	13	78.3%
Of which:				
Banco de Reservas	1	1	1	21.9
Savings and loan associations	18	18	18	16.6
Development banks	15	16	12	2.0
Mortgage banks	1	1	1	—
Financieras	71	60	58	1.2
Small lending institutions	23	23	23	0.1
Government-owned financial institutions	5	5	2	1.8
Total[2]	147	136	127	100.0%

(1) Includes banks authorized to offer multiple banking services.
(2) Excludes insurance and reinsurance companies, private pensions funds and the Dominican Republic Stock Exchange.
Source: Banking Superintendency.

The Dominican financial system grew significantly between 1999 and 2003, and total assets of the financial system increased from 54.7% of GDP in 1999 to 68.9% of GDP in 2003.

Since 1999, the banking system has experienced significant consolidation, driven principally by the need to increase the range of product offerings and benefits from economies of scale. The most significant acquisitions included the following (dates refer to the approval of the acquisition by the Monetary Board):

- *Banco del Exterior Dominicano* by *Banco Intercontinental* (June 2000);
- *Banco Gerencial y Fiduciario* by *Banco BHD* (November 2000);
- *Banco Metropolitano* by *Banco Dominicano del Progreso* (December 2000);
- *Banco Osaka* by *Banco Intercontinental* (July 2001); and
- *Banco Global* by *Banco Mercantil* (September 2002).

Subsequent to the collapse of BanInter in 2003, two other domestic commercial banks, Bancrédito and Banco Mercantil, experienced severe liquidity problems and were later acquired by other banks. Bancrédito was acquired by *Banco Profesional* and Banco Mercantil by Trinidad and Tobago-based Republic Bank Limited.

There are no formal restrictions for foreign direct investment in the banking system if a foreign bank establishes a branch in the Dominican Republic. At present, Citibank and the Bank of Nova Scotia are the only foreign banks with branches in the Dominican Republic, although several Dominican banks have foreign investors as minority shareholders.

The following table sets forth the total gross assets of the Dominican financial system for the periods indicated:

Total Gross Assets of the Dominican Financial System(1)
(in millions of current DOP and % change from prior year)

	Financial System		Commercial Banks	
	DOP	**Growth rate (%)**	**DOP**	**Growth rate (%)**
As of December 31,				
1999	152,478	21.3	110,335	21.0
2000	186,795	22.5	137,733	24.8
2001	231,124	23.7	171,930	24.8
2002	264,232	14.3	202,687	17.9
2003	346,715	31.2	273,098	34.7
2004(2)				
January	378,796	9.3	303,387	11.1
February	378,968	9.3	302,212	10.7
March	365,925	5.5	288,563	5.7
April	380,520	9.8	302,298	10.7
May	396,916	14.5	317,204	16.1
June	404,866	16.8	323,220	18.4
July	412,658	19.0	327,295	19.8
August	403,378	16.3	315,024	15.4
September	385,094	11.1	309,864	13.5
October	386,469	11.5	296,791	8.7
November	380,374	9.7	290,483	6.4

(1) Excludes insurance companies, private pensions funds and the Dominican Republic Stock Exchange.
(2) From January 2004 to November 2004 growth rates are with respect to December 2003.
Source: Central Bank.

Total Gross Assets of the Dominican Financial System(1)
(in millions of US$ and % change from prior year)

	Financial System		Commercial Banks	
	US$	**Growth rate (%)**	**US$**	**Growth rate (%)**
As of December 31,				
1999	9,560	19.5	6,918	19.2
2000	11,260	17.8	8,302	20.0
2001	13,596	20.7	10,114	21.8
2002	12,734	(6.3)	9,768	(3.4)
2003	9,340	(26.7)	7,357	(24.7)
2004(2)				
January	7,691	(17.7)	6,160	(16.3)
February	7,758	(16.9)	6,187	(15.9)
March	8,374	(10.4)	6,603	(10.2)
April	8,278	(11.4)	6,576	(10.6)
May	8,150	(12.7)	6,513	(11.5)
June	8,631	(7.6)	6,890	(6.3)
July	9,244	(1.0)	7,332	(0.3)
August	10,683	14.4	8,343	13.4
September	12,548	34.3	10,097	37.2
October	12,006	28.5	9,220	25.3
November	13,522	44.8	10,326	40.4

(1) Based on the weighted exchange rate at period end. Excludes insurance companies, private pensions funds and the Dominican Republic Stock Exchange.
(2) From January 2004 to November 2004 growth rates are with respect to December 2003.
Source: Central Bank.

Commercial banks are the principal source of private sector financing and accounted for 86.4% of all loans to the private sector during the first nine months of 2004. In the period from 1999 to 2003, the private sector received on average 89.3% of the total credits issued by the financial system, while the public sector received only 10.7%. Major private sector borrowers included companies engaged in wholesale and retail trade (30.6% of total loans), construction (21.4% of total loans) and manufacturing (8.3% of total loans). In the period from 1999 to 2003, lending to individuals accounted on average for 10.9% of total loans. The following tables set forth information regarding the allocation of loans to each sector of the economy.

Loans of the Financial System by Sector
(in millions of current DOP)

						As of September 30,	
	1999	**2000**	**2001**	**2002**	**2003**	**2003**	**2004**
Private sector:							
Manufacturing	DOP 9,768.0	DOP 9,977.0	DOP 14,213.0	DOP10,340.6	DOP10,485.6	DOP10,878.5	DOP 8,295.0
Mining	93.0	106.0	265.0	321.3	368.1	212.4	150.3
Agriculture	4,406.0	4,326.0	6,162.0	6,410.3	6,674.1	6,803.4	5,747.6
Construction	24,016.0	23,633.0	29,755.0	35,323.7	33,467.9	33,687.3	29,272.6
Electricity, gas and water	313.0	698.0	1,558.0	1,854.5	1,679.3	1,374.1	1,243.9
Wholesale and retail trade	25,788.0	32,753.0	36,524.0	44,385.7	84,592.4	80,659.0	62,159.8
Loans to individuals	10,650.0	13,677.0	15,279.0	18,209.3	16,562.2	15,603.3	18,612.9
Transportation, warehousing and communications	1,334.0	2,440.0	2,024.0	2,737.5	1,641.8	1,581.5	1,188.8
Other	9,020.0	11,766.0	17,408.0	23,609.1	22,909.1	26,710.5	32,892.7
Total private sector loans	85,387.0	99,374.0	123,188.0	143,192.0	178,380.4	177,510.0	159,563.6
Total public sector loans	9,637.0	9,532.0	15,821.0	18,151.5	24,147.0	21,211.8	25,012.6
Total loans	DOP 95,024.0	DOP 108,906.0	DOP 139,009.0	DOP161,343.5	DOP202,527.4	DOP198,721.8	DOP184,576.2

Source: Central Bank.

Loans of the Financial System by Sector
(in millions of current US$)

	1999	2000	2001	2002	2003	For the nine months ended September 30, 2003[(1)]	2004[(1)]
Private sector:							
Manufacturing	612.6	601.4	836.3	498.3	282.5	331.1	270.3
Mining	5.8	6.4	15.6	15.5	9.9	6.5	4.9
Agriculture	276.3	260.7	362.5	308.9	179.8	207.0	187.3
Construction	1,506.2	1,424.5	1,750.3	1,702.3	901.6	1,025.2	953.8
Electricity, gas and water	19.6	42.0	91.7	89.4	45.2	41.8	40.5
Wholesale and retail trade	1,617.3	1,974.3	2,148.5	2,139.1	2,278.9	2,454.6	2,025.4
Loans to individuals	667.9	824.4	898.8	877.6	446.2	474.8	606.5
Transportation, warehousing and communications	83.6	147.0	119.1	131.9	44.2	48.1	38.7
Other	565.7	709.2	1,024.2	1,017.4	617.2	812.9	1,071.9
Total private sector loans	5,355.0	5,989.9	7,246.6	6,780.4	4,805.5	5,402.0	5,199.3
Total public sector loans	604.4	574.6	930.6	874.8	650.5	645.5	815.0
Total loans	5,959.4	6,564.5	8,177.1	7,655.2	5,456.0	6,047.5	6,014.3

(1) Preliminary data.
Source: Central Bank.

Loans of the Financial System by Sector
(as a % of total loans)

	1999	2000	2001	2002	2003[(1)]	For the nine months ended September 30, 2003[(1)]	2004[(1)]
Private sector:							
Manufacturing	10.3%	9.2%	10.2%	6.5%	5.2%	5.5%	4.5%
Mining	0.1	0.1	0.2	0.2	0.2	0.1	0.1
Agriculture	4.6	4.0	4.4	4.0	3.3	3.4	3.1
Construction	25.3	21.7	21.4	22.2	16.5	17.0	15.9
Electricity, gas and water	0.3	0.6	1.1	1.2	0.8	0.7	0.7
Wholesale and retail trade	27.1	30.1	26.3	27.9	41.8	40.6	33.7
Loans to individuals	11.2	12.6	11.0	11.5	8.2	7.9	10.1
Transportation, warehousing and communications	1.4	2.2	1.5	1.7	0.8	0.8	0.6
Other	9.5	10.8	12.5	13.3	11.3	13.4	17.8
Total private sector loans	89.8	91.2	88.6	88.6	88.1	89.4	86.4
Total public sector loans	10.1	8.8	11.4	11.4	11.9	10.6	13.6
Total loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Preliminary data.
Source: Central Bank.

The following table sets forth the bank credit by currency for the years shown.

Bank Credit by Currency
(as a % of total credit)

	Private Commercial Banks		***Banco de Reservas***	
	DOP	**Foreign Currency**	**DOP**	**Foreign Currency**
1999	61.2	18.3	19.5	1.0
2000	57.0	23.5	18.3	1.3
2001	56.0	24.5	17.8	1.7
2002	49.7	26.9	20.4	3.0
2003	44.6	25.8	21.5	8.1
As of September 30, 2004	50.5	15.8	26.6	7.1

Source: Banking Superintendency.

Foreign currency lending is extended mainly to sectors that generate foreign currency revenues, such as tourism, free-trade zones and export-oriented activities. In the period from 1999 to 2002, foreign currency lending as a portion of total bank credit increased primarily as a result of restrictions imposed on monetary policy that led to higher domestic interest rates. Foreign currency lending decreased significantly in 2004 as a result of the depreciation of the peso, falling from 25.8% of total credit extended by private commercial banks in 2003 to 15.8% as of September 2004.

Even though commercial lending usually is in the form of medium-term loans and short-term lines of credit in the Dominican Republic, private commercial banks also make available long-term financing to the private sector, primarily in foreign currency, with resources obtained from foreign development banks and multilateral lending institutions. Private development banks and the Agricultural Bank offer medium- and long-term loans to finance projects in some sectors, such as agriculture, tourism, manufacturing, services and transportation. Savings and loan associations provide medium and long-term loans for residential housing and also provide resources to the construction and tourism sectors.

Since 1991, interest rates in the Dominican Republic have floated freely based on supply and demand, although the Central Bank engages in open market operations to influence interest rates in accordance with its monetary policy. For a discussion of the Central Bank's activities in this regard, see "—Monetary Policy."

The following table sets forth information on interest rates charged by commercial banks on loans for the periods indicated.

Interest Rates on Commercial Bank Loans[(1)]
(in annual %, nominal unless otherwise indicated)

	1999	2000	2001	2002	2003	As of September 30, 2004
Loans of:						
0-90 days	25.0	26.6	22.8	24.5	29.5	31.8
91-180 days	25.3	26.9	23.6	24.5	29.9	31.1
181-360 days	25.2	26.4	23.3	25.8	30.9	32.2
Weighted average	25.1	26.8	23.6	26.1	31.4	33.1
Real	18.6	19.1	14.7	15.6	(11.3)	(2.4)
Prime rate	22.2	23.4	19.5	21.5	28.1	30.5

(1) Includes banks authorized to offer multiple banking services. Refers to annual average or, in the case of 2004, average for the period January 1, 2004 to September 30, 2004.
Source: Central Bank.

The following table sets forth information on interest rates applicable to deposits for the periods indicated.

Interest Rates on Deposits Paid by Commercial Banks[(1)]
(in annual %, nominal unless otherwise indicated)

	1999	2000	2001	2002	2003	As of September 30, 2004
Deposits for:						
30 days	16.2	17.5	15.4	16.6	20.3	20.8
60 days	16.2	18.0	15.2	16.8	20.1	21.2
90 days	15.4	18.8	15.8	17.0	20.9	21.5
180 days	15.3	18.7	15.7	16.0	23.1	17.4
360 days	16.0	16.4	15.1	22.1	24.4	25.1
Weighted average	16.0	17.7	15.4	16.8	20.5	21.1
Real	9.6	10.0	6.6	6.3	(22.1)	(14.4)
Savings	4.5	4.3	4.3	4.4	4.3	4.2

(1) Includes banks authorized to offer multiple banking services. Refers to annual average or, in the case of 2004, average for the period January 1, 2004 to September 30, 2004.
Source: Central Bank.

Liquidity and Credit Aggregates

There are several money-supply measures currently in place in the Dominican Republic. The most significant are Ml and M2, which generally are composed of the following:

- Ml: currency held by the public and demand deposits; and
- M2: M1 plus savings and time deposits (including financial certificates).

The sources for the monetary base are net international reserves plus net internal credit of the Central Bank and its uses are all reserves held by the Central Bank and all currency in circulation.

The following table sets forth growth in M1 and M2 as of the dates indicated.

Selected Monetary Indicators
(% change from previous year)[1]

	As of December 31,					As of September 30,	
	1999	**2000**	**2001**	**2002**	**2003**	**2003[2]**	**2004[2]**
M1	21.4	(10.1)	24.7	5.6	77.4	58.6	43.2
M2	24.0	13.6	29.6	11.6	64.8	51.6	23.0

(1) Changes based on figures in DOP.
(2) Preliminary data.
Source: Central Bank.

In the period from 1999 to 2002, the Republic's monetary base grew at a rate of 20.6%. This increase was driven by the growth in the international reserves of the Central Bank. M1 grew at an average annual rate of 10.4% during this period, while M2 grew 19.7% due to greater demand for certificates of deposit issued by commercial banks. In 2000, M1 decreased 10.1%, in contrast to a 13.6% increase in M2, due to a shift towards long-term deposits over short-term deposits as a result of a tighter monetary policy and a rise in interest rates in 2000. The monetary policy implemented by the Central Bank during 2002, which was intended to minimize the effects of external shocks on the peso, led to a reduction in the international reserves of the Central Bank. As a result, during 2002, the monetary base decreased by 3.6%. In 2003, M1 and M2 increased significantly, primarily due to the Central Bank's bailout of BanInter and the partial bailouts of Bancrédito and Banco Mercantil.

The following table sets forth the composition of the Republic's monetary base (expressed in terms of the Central Bank's monetary liabilities) and international reserves as of the dates indicated.

Monetary Base and Central Bank's International Reserves
(in millions of US$)[1]

						As of September 30,	
	1999	**2000**	**2001**	**2002**	**2003**	**2003[2]**	**2004[2]**
Currency in circulation and cash in vaults at banks	1,450.6	1,181.4	1271.1	1,387.4	1,073.1	785.8	1,131.3
Commercial bank deposits at the Central Bank	362.5	813.7	996.1	799.0	1,143.9	908.7	1,244.3
Monetary base	1,813.1	1,995.1	2,267.2	2,186.4	2,216.9	1,694.5	2,375.6
Gross international reserves	706.3	636.8	1,155.3	629.8	279.4	315.2	587.0
Net international reserves	547.0	441.9	962.2	376.0	123.6	97.3	372.9

(1) Based on the period-end exchange rate.
(2) Preliminary data.
Source: Central Bank.

As of December 31, 2003, the ratio of gross international reserves to the monetary base was approximately 1 to 7.9, primarily as a result of the Central Bank's sales of reserves in 2003 to curb the depreciation of the peso. As of September 30, 2004, this ratio had improved to approximately 1 to 4.0.

The following table shows liquidity and credit aggregates as of the dates indicated.

Liquidity and Credit
(in millions of US$)(1)

	1999	2000	2001	2002	2003	2003(5)	2004(5)
Monetary aggregates							
Currency in circulation	1,059	909	978	880	799	656	925
Ml	2,224	1,923	2,341	2,025	2,009	1,703	2,483
M2	5,648	6,166	7,806	7,139	6,575	6,702	8,417
Credit by sector(2)							
Public sector	407	411	737	695	537	531	660
Private sector	3,764	4,490	5,609	5,410	4,003	4,670	4,245
Other(3)	8	—	15	9	—	—	—
Total credit aggregates	4,179	4,902	6,361	6,113	4,540	5,201	4,905
Deposits(2)(3)							
Local currency	US$ 2,519	US$ 2,793	US$ 3,388	US$ 4,626	US$ 4,178	US$ 4,373	US$ 5,706
Foreign currency	631	880	1,389	421	516	508	768
Other(4)	1,664	2,043	2,571	1,205	1,064	1,140	1,006
Total deposits	US$ 4,814	US$ 5,716	US$ 7,348	US$ 6,251	US$ 5,758	US$ 6,020	US$ 7,480

(1) Based on the official period-end exchange rate.
(2) Includes only commercial banks.
(3) Includes preliminary data of credit and other banking institutions.
(4) Includes certificates of deposits, bonds and other.
(5) Preliminary data.
Source: Central Bank.

Inflation

Prices remained relatively stable in the period from 1999 to 2001. The rate of inflation began to accelerate in the last quarter of 2002 and continued to do so through 2004. This resulted primarily from the depreciation of the peso and the elimination of Government subsidies, particularly in the energy sector, which drove consumer prices up. In 2003 and through most of 2004, the rate of inflation increased sharply as a result of excess liquidity spurred by government spending, the continued depreciation of the peso and higher commodity prices, including energy prices. See "—Monetary Policy." At December 31, 2004, the rate of inflation for the year was 28.7%.

The Government has projected inflation for 2005 to be between 11% and 13% and 8% for 2006.

The following table shows changes in the CPI for the periods indicated.

	Consumer Price Index(1) (% change)	
	End of period	**Average**
1999	5.1	6.5
2000	9.0	7.7
2001	4.4	8.8
2002	10.5	5.2
2003	42.6	27.4
2004(2)	28.7	51.5
2005 (As of February 28)(2)	6.8	42.6

(1) For a description of how the CPI and its rates of change are calculated, see "Certain Defined Terms and Conventions—Certain Defined Terms."
(2) Preliminary data.
Source: Central Bank.

Foreign Exchange and International Reserves

Foreign Exchange

In 1991, the Republic adopted a flexible foreign exchange rate regime that remains in effect. Prior to 1991, the Republic fixed the official exchange rate, but devalued the currency periodically. At present, pursuant to resolutions issued by the Monetary Board, the exchange rate system operates with a unified and flexible exchange rate and a foreign exchange market operated by the Central Bank, financial intermediaries, and exchange agents.

When the Dominican peso came into existence in 1947, the Republic had a fixed exchange rate system with an exchange rate of DOP1.00/US$l.00. The refusal to devalue the currency in the 1960s stimulated the creation of a parallel foreign exchange market and the gradual transfer of current account transactions from the official market to the parallel market. In 1985, the exchange rates of both markets were aligned and the process of transferring the current account transactions from the official market to the parallel market continued. This transfer process was completed in December 2003.

In 2003, the private foreign exchange market performed approximately 91.2% of all foreign exchange transactions, while the Central Bank market performed the remainder of approximately 8.8%.

The free market exchange rate reflects the supply and demand of foreign currency. The Central Bank does not impose limits on the extent to which the free market exchange rate can fluctuate.

Sources of foreign exchange for the private foreign exchange market include:

- tourism;
- free trade zones;
- remittances;
- exports of goods;
- foreign direct investment; and
- private-sector foreign-currency denominated loans.

The sole source of foreign exchange for the Central Bank market is public-sector foreign-currency denominated loans.

The Central Bank exchange rate is used for transactions involving the Central Bank and the Government, most importantly for external debt payments and disbursements of external loans.

The following table shows the peso/U.S. dollar exchange rates for the dates and periods indicated.

Exchange Rates
(DOP per US$)

	1999	2000	2001	2002	2003	2004
End of period (Central Bank)[1]....................	15.92	16.53	16.97	17.56	37.44	28.86
End of period (private market)[1]..................	15.93	16.57	16.95	21.24	37.11	29.01
Exchange rate differential (in % of Central Bank rate)..........................	1.0%	4.0%	(2.0)%	368.9%	(33.0)%	15.0
Weighted year average................................	16.02	16.38	16.89	18.53	30.27	41.67
Weighted end of period...............................	15.95	16.59	17.00	20.68	32.37	30.28

(1) Exchange rate for purchase of U.S. dollars.
Source: Central Bank.

The Central Bank exchange rate is set to the weighted average of the daily transactions made by authorized financial intermediaries and exchange agents. As a result, there is only a nominal difference between the Central Bank exchange rate and the private market rate. The Central Bank expects to maintain a flexible floating exchange rate system and only intervenes in the foreign exchange market whenever necessary to achieve the Government's monetary reforms and avoid excessive volatility in the exchange rate. The Central Bank supports the creation of an electronic trading platform for foreign exchange transactions.

The peso experienced the following trends in the period from 1999 to 2004:

- between 1999 and 2001, the peso depreciated against the dollar in a controlled and gradual manner;

- in 2002, the terrorist attacks of September 11 and their negative effects on the U.S. and global economies put significant pressure on the value of the peso. In response, the Central Bank tightened its monetary policy and sold international reserves in an effort to maintain the value of the peso. For 2002, the cumulative depreciation of the peso thus totaled 25.5%;

- in 2003, the banking crisis and the Central Bank's loose monetary policy contributed to one of the largest one-year devaluations of the peso in the Republic's history, with a decline of the peso against the dollar of 113.2%. See "—Monetary Policy"; and

- beginning in the second half of 2004, a tighter monetary policy has facilitated a gradual appreciation of the peso.

International Reserves

The Central Bank's net international reserves decreased to US$123.6 million as of December 31, 2003 from US$376.0 million as of December 31, 2002 and US$962.2 million as of December 31, 2001.

The following table shows the composition of the international reserves of the Republic's banking system as of the dates indicated.

Net International Reserves of the Banking System
(in millions of US$ at period end)

	1999	2000	2001	2002	2003	As of September 30, 2003[(1)]	As of September 30, 2004[(1)]
Central Bank							
Assets	706.3	636.8	1,155.3	629.8	279.4	315.2	587.0
Liabilities	159.3	194.9	193.1	253.8	155.7	218.0	214.1
Total (assets less liabilities)	547.0	441.9	962.2	376.0	123.6	97.3	372.9
Total, net of sovereign bonds[(1)]	547.0	441.9	464.7	376.0	(26.4)	97.3	372.9
Banco de Reservas							
Assets	146.9	211.7	221.5	333.3	483.8	559.0	636.2
Liabilities	205.4	225.9	270.0	375.9	476.8	553.9	623.2
Total (assets less liabilities)	(58.5)	(14.2)	(48.5)	(42.6)	6.9	5.2	13.0
Private banks							
Assets	1,158.7	1,627.4	2,139.3	2,072.7	1,792.0	2,453.1	1,933.9
Liabilities	1,052.0	1,460.8	1,891.8	1,841.9	1,528.1	2,014.7	1,598.7
Total (assets less liabilities)	106.7	166.6	247.5	230.8	264.0	438.4	335.2
Net international reserves of the banking system	595.2	594.3	1,161.2	564.2	394.5	540.8	721.0
Total, net of sovereign bonds[(2)]	595.2	594.3	663.7	564.2	244.5	540.8	721.0
Memorandum items:							
Gross reserves of the Central Bank	881.3	818.2	1,340.8	828.9	489.2	520.8	800.8
Total, net of sovereign bonds[(2)]	881.3	818.2	843.3	828.9	339.2	520.8	800.8
Gross reserves of commercial banks	1,305.6	1,839.1	2,360.8	2,406.0	2,275.8	3,012.1	2,570.0
Gross reserves of the banking system	2,186.9	2,657.3	3,701.6	3,234.9	2,765.0	3,532.9	3,370.8
Total, net of sovereign bonds[(2)]	2,186.9	2,657.3	3,204.1	3,234.9	2,615.0	3,532.9	3,370.8
Gross reserves of the Central Bank (in months of total imports)	1.3	1.0	1.2	1.1	0.5	1.1	1.7
Total, net of sovereign bonds (in months of total imports)[(2)]	2.0	1.5	1.7	1.6	0.8	1.6	2.5
Gross reserves of the banking system[(3)]	5.0	5.0	7.5	6.2	6.5	10.8	10.6
Total, net of sovereign bonds (in months of total imports)[(2)]	3.3	3.4	5.1	4.4	4.4	7.3	7.1

(1) Preliminary data.
(2) Includes the Republic's two global bond offerings in September 2001 (9.50% Bonds due 2006) and January 2003 (9.04% Bonds due 2013).
(3) As a ratio of total gross reserves of the banking system (*i.e.*, Central Bank, *Banco de Reservas* and other commercial banks) to total monthly imports.
Source: IMF and Central Bank.

In the period from 1999 to 2003, the Central Bank's gross international reserves, measured in terms of total monthly imports (*i.e.*, the ratio of the Central Bank's gross reserves to total monthly imports) fluctuated between 1.3 months in 1999 and 0.5 months in 2002. Since all balance of payment transactions are covered by financial intermediaries and exchange agents, a more relevant figure for the Dominican economy is the ratio of total gross reserves of the banking system (*i.e.*, Central Bank, *Banco de Reservas* and other commercial banks) to total monthly imports. This ratio grew from 5.0 in 1999 to 6.5 in 2003.

At September 30, 2004, the ratio of Central Bank reserves to months of total imports was approximately 1.7. The ratio of banking system reserves to months of total imports was approximately 10.6.

Gold Reserves

At December 31, 2003, the total amount of gold reserves of the Central Bank was approximately US$7.6 million, as compared to US$6.1 million at December 31, 2002.

Securities Markets

The *Ley de Mercado de Valores* (the "Securities Market Law"), approved in 2000, created a regulatory framework for the Dominican securities market. In 2003, the *Superintendencia de Valores de la República Dominicana* (the "Dominican Republic Securities Superintendency"), established by the Securities Market Law, began operating. It is responsible for promoting, regulating, and supervising the Dominican securities market.

The Dominican Republic has one securities exchange, the *Bolsa de Valores de la República Dominicana* (the "Dominican Republic Stock Exchange"), which has been in operation since 1991. The Dominican Republic Stock Exchange is a private institution that has been subject to regulation by the Dominican Republic Securities Superintendency since October 2003.

The primary activity of the Dominican Republic Stock Exchange has been the public trading of commercial paper and bond instruments. Since 1997, partly due to the lack of a legal framework for the development of the securities market, only private sector commercial paper has traded on the Dominican Republic Stock Exchange. In part as a result of the approval of the Securities Market Law and its regulations, trading volume reached US$1.3 billion in 2001 and $1.2 billion in 2002, as compared to US$249.8 million in 2000. However, in 2003 trading volume fell to US$552.2 million as a result of a decrease in available credit generally and the transition to the new regulatory framework.

Dominican Republic Stock Exchange
Transaction Volume
(in US$)[1]

	1999	2000	2001	2002	2003
Transaction volume........................	219,407,579	249,795,480	1,358,934,151	1,194,326,289	552,174,648

(1) Based on the weighted average exchange rate for the given period.
Source: Dominican Republic Stock Exchange.

PUBLIC SECTOR FINANCES

Consolidated Public Sector

The Dominican public sector consists of the central government, the provincial and municipal governments, non-financial public sector institutions, which include non-financial state-owned enterprises and government agencies such as the *Instituto Nacional de Estabilización de Precios* (the "National Institute for Price Stabilization"), and financial public sector institutions, such as the Central Bank, *Banco de Reservas* and other state-owned banks.

The Fernández administration has sought to impose fiscal discipline by adopting fiscal policies that address both the expenditure and revenue sides of the fiscal accounts. The foundation of the Government's reform of public sector finances is the 2005 IMF Stand-By Arrangement. As part of its agreement with the IMF, the Republic has committed to make several fiscal and monetary reforms, including:

- a series of tax reforms that went into effect in October 2004. See "—Tax Regime;
- a reduction in public expenditures, most importantly, the public sector payroll and energy subsidies;
- a reduction in public indebtedness and implementing a financing strategy that will resolve short term liquidity problems currently experienced by the Government. The reprofiling achieved by the exchange of the Existing Bonds for Exchange Bonds is an integral part of this commitment with the IMF; and
- the strengthening of the Dominican banking and financial sectors through increased regulatory supervision to ensure more efficient markets and stability in the economy.

Central Government

The central government of the Dominican Republic encompasses the Republic's executive branch, the ministries, and various government agencies such as the *Dirección General de Impuestos Internos* (the "Internal Revenue Agency") and the *Dirección General de Aduanas* (the "Customs Agency").

Between 1999 and 2002, the central government's fiscal balance, on an accrual basis, consistently improved from a deficit of 3.2% of GDP in 1999 to a fiscal surplus of 0.1% of GDP in 2002. In 2003, the fiscal balance worsened significantly despite a reduction in total expenditures in 2003 as compared to 2002.

This deterioration of the fiscal balance in 2003 was the result of several factors:

- the impact of the economic crisis, which resulted in a decrease in tax revenue;
- the impact of the peso's depreciation on external debt service and on the electricity tariff;
- high subsidies for propane gas and electricity;
- no adjustment of the fuel tax for inflation; and
- lower than estimated collection of new taxes, such as the 5% tax on exports.

At December 31, 2003, the central government's fiscal deficit reached US$750.9 million, or 4.5% of GDP. Since 2003, the central government's financing gap has been completely covered with external financing, while internal financing has remained negative.

During the first nine months of 2004, the central government registered a fiscal deficit, on a cash basis of approximately US$465.7 million (4.3% of GDP), including a current account surplus (including grants) of

US$637.3 million (5.9% of GDP) and a capital account deficit of US$715.3 million (6.6% of GDP). Total current revenue amounted to US$2.1 billion (19.6% of GDP), total current expenditures amounted to US$1.5 billion (13.7% of GDP) and total capital expenditures amounted to US$715.4 million (6.6% of GDP). Total domestic financing was US$5.1 million and total foreign financing was US$460.6 million.

The Government derives its revenues primarily from:

- tax collections;
- import tariffs;
- the foreign exchange commission; and
- external loans.

The Government also receives transfers from the national lottery and dividends from companies in which the Government has an ownership interest.

Total central government revenues decreased in 2003, reflecting a 27.8% decrease in tax revenues in 2003 as a result of the contraction in the Dominican economy. During the first nine months of 2004, the central government's fiscal revenue was 12.0% higher than during the same period in 2003. This gain was primarily due to revenue from the implementation of the foreign exchange commission and taxes on international trade, which was US$425.4 million higher than during the same period in 2003.

In the first nine months of 2004, the Government registered tax revenues of US$1.9 billion, as compared to US$1.7 billion during the same period in 2003. During this period, the primary sources of fiscal revenue were:

- the value-added tax, which accounted for 23.5% of fiscal revenue;
- income tax, which accounted for 20.4%;
- taxes on international trade, which accounted for 30.6%;
- the foreign exchange commission, which accounted for 12.7%; and
- the fuel tax, which accounted for 7.8%.

Government expenditures consist primarily of:

- wages and salaries paid to public sector employees;
- interest payments on debt;
- goods and services;
- public investment; and
- transfers to public sector entities (in particular to CDEEE) and to the private sector (primarily in the form of consumer subsidies of propane gas and electricity).

Central government expenditures for 2003 totaled US$3.0 billion, or 17.9% of GDP, as compared to US$4.1 billion or 18.7% of GDP in 2002. This decrease in 2003 was primarily the result of decreases in public sector wages and salaries and in capital investment. In the first nine months of 2004, central government expenditures totaled US$2.2 billion, which is 12.1% higher than for the same period in 2003. This increase in 2004 is primarily attributable to an increase in current transfers to government agencies and to the private sector in the form of propane gas and electricity subsidies.

Current savings, which is the difference between current revenues and current expenditures, reached US$611.9 million for the first nine months of 2004, as compared to US$545.0 million for the same period in 2003.

As set forth in its IMF economic reform program, the Government has committed to reducing the fiscal deficit of the central government to 0.7% of GDP in 2005 and achieving a fiscal surplus of 0.7% of GDP in 2006. In 2005, the Government projects that fiscal revenue will be US$4.1 billion (17.0% of GDP) and expenditures will be US$4.3 billion (17.6% of GDP).

To increase revenues in 2005, the Government's measures include the following:

- increasing the foreign exchange commission by three percentage points to 13%; and

- increasing the fuel tax.

To control expenditures in 2005, the Government's measures include the following:

- freezing central government employment at the same level as in October 2004;

- eliminating propane gas subsidies for industrial use, hotels and restaurants and vehicles with tanks with more than 100 pounds capacity;

- scaling back public investment projects; and

- centralizing management and control of investment projects with external financing under the *Secretariado Técnico de la Presidencia* (the "Technical Secretary of the Presidency").

In addition, the Government's renegotiation of the Republic's external debt with the Paris Club, private banks, suppliers and sovereign bondholders is expected to provide significant debt relief and reduce short-term liquidity constraints. See "Public Sector Debt—2005 Restructuring Plans."

Longer-term objectives to improve the Government's fiscal management include the following measures, as part of the Republic's structural reforms under the 2005 IMF Stand-By Arrangement:

- amending the budget law to require congressional approval of fiscal spending in excess of budget ceilings;

- subjecting public purchases, contracts and other public procurement to strict public tender rules based on international standards, and introducing an electronic procurement system;

- establishing a single Treasury account to improve cash-flow management and budgetary projections and execution; and

- reforming the Government's financial management system to improve the accuracy of budgetary information.

The following table sets forth information regarding government accounts for the periods indicated.

Central Government Accounts[1]

(in millions of US$ and as a % of GDP, at current prices)

	1999		2000		2001		2002		2003		As of September 30, 2003[7]		As of September 30, 2004[7]	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Fiscal revenue and grants:														
Current revenue:														
Tax revenue:														
Income tax	597.5	3.4	679.2	3.4	937.8	4.3	902.8	4.2	687.2	4.1	495.3	4.5	425.9	4.0
Property tax	49.8	0.3	56.6	0.3	57.4	0.3	50.2	0.2	41.2	0.2	30.0	0.3	34.2	0.3
Taxes on goods and services	1,059.4	6.1	1,075.0	5.4	1,572.4	7.3	1,644.1	7.6	1,156.6	7.0	809.4	7.4	820.1	7.6
Of which:														
Value-added tax	538.0	3.1	605.1	3.1	842.2	3.9	894.7	4.1	633.6	3.8	456.2	4.2	488.7	4.5
Fuel tax[2]	261.5	1.5	190.7	1.0	444.7	2.1	437.2	2.0	273.5	1.6	193.0	1.8	162.3	1.5
Taxes on international trade	835.2	4.8	1,050.7	5.3	761.2	3.5	766.5	3.5	577.3	3.5	395.6	3.6	637.7	5.9
Of which:														
Foreign exchange commission	44.1	0.3	205.1	1.0	191.5	0.9	161.3	0.7	111.1	0.7	81.6	0.7	264.9	2.5
Other taxes	27.7	0.2	42.3	0.2	45.7	0.2	52.2	0.2	4.3	—	3.0	—	3.4	—
Total tax revenue	2,569.5	14.8	2,903.9	14.7	3,374.5	15.6	3,415.7	15.7	2,466.5	14.8	1,733.3	15.8	1,921.3	17.8
Non-tax revenue	155.6	0.9	218.9	1.1	156.7	0.7	158.3	0.7	178.3	1.1	125.7	1.1	162.1	1.5
Total current revenue	2,725.1	15.7	3,122.8	15.8	3,531.2	16.3	3,574.0	16.5	2,644.9	15.9	1,859.0	16.9	2,083.5	19.3
Capital revenue	6.8	—	7.3	—	12.7	0.1	42.2	0.2	1.3	—	1.3	—	—	—
Total fiscal revenue	2,731.9	15.7	3,130.1	15.8	3,543.8	16.3	3,616.3	16.7	2,646.2	15.9	1,860.3	16.9	2,083.5	19.3
Grants[3]	26.6	0.2	25.7	0.1	24.6	0.1	—	—	40.9	0.2	21.9	0.2	25.4	0.2
Total fiscal revenue and grants	2,758.6	15.8	3,155.8	15.9	3,568.5	16.5	3,616.3	16.7	2,687.0	16.2	1,882.2	17.1	2,108.9	19.6
Expenditures:														
Current expenditures:														
Wages and salaries	892.5	5.1	1,107.0	5.6	1,272.7	5.9	1,345.1	6.2	862.5	5.2	586.9	5.3	451.6	4.2
Goods and services	311.9	1.8	323.5	1.6	362.6	1.7	418.4	1.9	317.6	1.9	214.0	1.9	205.3	1.9
Interest	125.3	0.7	167.3	0.8	222.9	1.0	203.7	0.9	319.8	1.9	228.1	2.1	263.8	2.4
Current transfers[4]	639.8	3.7	662.2	3.3	729.9	3.4	574.8	2.6	464.9	2.8	284.1	2.6	550.8	5.1
Other	286.4	1.6	129.6	0.7	38.6	0.2	4.8	—	0.9	—	0.9	—	—	—
Total current expenditures	2,255.9	13.0	2,389.7	12.1	2,626.7	12.1	2,546.8	11.7	1,965.8	11.8	1,314.0	12.0	1,471.6	13.7
Capital expenditures:														
Fixed investment	652.5	3.8	575.1	2.9	510.3	2.4	1,003.7	4.6	269.0	1.6	174.1	1.6	145.0	1.3
Capital transfers[4]	346.0	2.0	224.3	1.1	391.0	1.8	471.5	2.2	256.3	1.5	141.9	1.3	173.4	1.6
Other	65.1	0.4	9.8	–	37.2	0.2	34.4	0.2	14.1	0.1	10.8	0.1	4.2	—
External investment	—	—	—	—	—	—	—	—	479.9	2.9	308.2	2.8	392.8	3.6
Total capital expenditures	1,063.6	6.1	809.2	4.1	938.5	4.3	1,509.6	7.0	1,018.4	6.1	635.0	5.8	715.4	6.6
Total expenditures	3,319.5	19.1	3,198.9	16.1	3,565.2	16.4	4,056.3	18.7	2,984.2	17.9	1,949.0	17.7	2,186.9	20.3
Fiscal balance:														
Current account balance (including grants)	495.8	2.9	758.8	3.8	929.1	4.3	1,027.2	4.7	719.9	4.3	566.9	5.2	637.3	5.9
Capital account deficit	(1,056.7)	(6.1)	(801.9)	(4.0)	(925.9)	(4.3)	(1,467.3)	(6.8)	(1,017.1)	(6.1)	(633.7)	(5.8)	(715.3)	(6.6)
Current account balance (including grants) minus capital account deficit	n.a.	n.a.	(43.1)	(0.2)	3.2	—	(440.1)	(2.0)	(297.2)	(1.8)	(66.8)	(0.6)	(78.0)	(0.7)
Errors and omissions[5]	n.a.	n.a.	(374.0)	(1.9)	(257.6)	(1.2)	(33.7)	(0.2)	(300.3)	(1.8)	(54.7)	(0.5)	(190.6)	(1.8)
Fiscal deficit	(560.9)	(3.2)	(417.1)	(2.1)	(254.4)	(1.2)	(473.8)	(2.2)	(597.4)	(3.6)	(121.5)	(1.1)	(268.6)	(2.5)
Non-financial public sector:														
Non-central government non-financial public sector balance	n.a.	n.a.	78.6	0.4	—	—	(26.2)	(0.1)	(153.5)	(0.9)	(241.4)	(2.2)	(53.1)	(0.5)
Non-financial public sector balance	n.a.	n.a.	(417.1)	(2.1)	(254.4)	(1.2)	(499.9)	(2.3)	(750.9)	(4.5)	(362.9)	(3.3)	(465.7)	(4.3)
Financing:														
Domestic financing:														
Banking system	102.3	0.6	155.8	0.8	(232.5)	(1.1)	327.6	1.5	(101.6)	(0.6)	(144.7)	(1.3)	106.5	1.0
Private sector[6]	316.9	1.8	160.0	0.8	(21.5)	(0.1)	(67.1)	(0.3)	(137.6)	(0.8)	(116.8)	(1.1)	(101.4)	(0.9)
Total domestic financing	419.2	2.4	315.9	1.6	(253.9)	(1.2)	260.5	1.2	(239.2)	(1.4)	(261.5)	(2.4)	5.1	—
Total foreign financing	141.7	0.8	101.3	0.5	508.3	2.3	239.4	1.1	990.1	6.0	624.4	5.7	460.6	4.3
Total financing	560.9	3.2	417.1	2.1	254.4	1.2	499.9	2.3	750.9	4.5	362.9	3.3	465.7	4.3

(1) On an accrual basis. Conversion was made using a weighted average exchange rate.
(2) In November 2000, Congress enacted the Fuel Tax Law. For a discussion of the old and new fuel taxes, see "Public Sector Finances—Tax Regime—Excise Taxes."
(3) Foreign cash or in-kind transfers.
(4) Reflects national transfers to public enterprises to service their external debt.
(5) These consist of non-cash items, such as food, clothing and other items received by the Government as aid. Also includes expenditures made in periods different from the current period that were not correctly registered and statistical discrepancies.
(6) Includes the accumulation of unrecorded arrears.
(7) Preliminary data.
Source: IMF.
n.a. = Not Available.

Tax Regime

All taxes in the Dominican Republic are collected through three agencies: the Internal Revenue Agency; the Customs Agency; and the *Tesorería Nacional* (the "National Treasury"). The following table sets forth the composition of the Republic's tax revenues for the periods indicated.

Tax Revenue of the Republic
(includes financing and grants)
(as a % of total tax revenue)

	1999	2000	2001	2002	2003	As of September 30, 2003(1)	As of September 30, 2004(1)
Income tax	23.3	23.5	26.8	26.0	27.9	21.2	22.1
Property tax	1.9	1.5	1.3	1.5	1.7	1.4	1.8
Taxes on goods and services	41.2	37.8	48.1	48.6	46.4	36.8	42.7
Of which:							
Value-added tax	20.9	21.5	26.1	27.0	26.4	20.7	25.4
Fuel tax	10.2	3.8	13.4	12.9	11.2	8.8	8.4
Taxes on international trade	32.5	36.0	22.6	22.7	22.9	18.8	33.2
Of which:							
Foreign exchange commission	1.7	7.0	5.9	5.1	4.7	3.7	13.8
Other taxes	1.1	1.2	1.2	1.2	1.0	0.1	0.2

(1) Preliminary data.
Source: Ministry of Finance.

In October 2004, Law No. 288-04 (the "2004 tax law") went into effect. The 2004 tax law implements significant reforms to the Dominican tax system, and alters in certain key respects the prior tax law enacted in 2000 by the Mejía administration. The following is a brief description of the main provisions of the Republic's tax code, as amended by the 2004 tax law, followed by a brief description of the Republic's tax enforcement record.

Income Taxes

The 2004 tax law provides for the following progressive income tax brackets, which are adjusted annually to reflect inflation:

Annual Income (in DOP)	Rate (%)
0 – 240,000	—
240,000.01 – 360,000.00	15.0
360,000.01 – 500,000.00	20.0
>500,000.01	25.0

Source: 2004 tax law.

A flat 25% tax rate over a company's net annual taxable income was left unchanged by the 2004 tax law. In addition, for 2004 and 2005, companies with more than DOP6.0 million in annual gross sales must pay a minimum corporate income tax of 1.5% of the company's annual gross sales. This minimum corporate income tax must be paid quarterly in the form of advances, which are credited when a company files its income tax return for a given year. Companies pay 50% of the tax in the first quarter, 30% in the second quarter, and 20% in the third quarter. Beginning in 2006, companies will be required to pay this tax in equal monthly advances.

During the first nine months of 2004, income tax revenues represented 3.5% of GDP, as compared to revenues of 4.9% of GDP registered during the same period in 2003.

Value-Added Tax

The Government imposes a value-added tax ("VAT") on all goods, except consumer food products, and over certain services. VAT paid in respect of capital goods may be deducted from the total VAT owed on the goods produced with such capital goods. The 2004 tax law increased the VAT rate applicable to most goods from 12% to 16%.

During the first nine months of 2004, VAT receipts represented 4.5% of GDP, which represents approximately the same percentage as was received during the first nine months of 2003.

Excise Taxes

The Government applies excise taxes on a variety of selected goods such as cigarettes, alcoholic beverages, fuels and certain luxury goods (*e.g.*, electronic appliances, caviar, rugs and yachts). The following table presents a sampling of the applicable excise tax rates.

Product	**Tax** (in DOP per absolute alcohol liter)			
	2005	**2006**	**2007**	**2008**
Whiskey	302.04	279.32	256.59	233.87
Rum	160.85	185.19	209.52	233.87
Wine	221.42	225.57	229.71	233.87
Beer	302.99	279.95	256.91	233.87

Source: 2004 tax law.

The 2004 tax law changed the tax regime applicable to cigarettes. The following table presents the tax rates for cigarettes:

Product	**Tax** (in DOP per box)
Cigarettes (10 unit box)	6.72
Cigarettes (20 unit box)	13.44

Source: 2004 tax law.

The 2004 tax law re-introduces an excise tax of 10% on telecommunication services. The 2004 tax law also imposes a new tax on checks and money transfers of 0.15% on the value of each transaction.

The fuel tax is the most important excise tax imposed by the Republic in terms of contribution to revenues. It is an excise tax denominated in constant pesos per gallon, payable at the time of sale. The following table sets forth the tax rates for gasoline products, which are adjusted quarterly to reflect inflation.

Product	Tax (in DOP per gallon)
Premium gasoline	37.62
Regular gasoline	31.36
Diesel	10.46

Source: Fuel Tax Law, as amended by 2004 tax law.

Gasoline prices in the Dominican Republic are adjusted on a weekly basis, based on import prices for oil and the dollar/peso exchange rate.

The fuel tax generated revenues of US$273.5 million or 1.6% of GDP for 2003. During the first nine months of 2004, the fuel tax generated US$162.3 million, as compared to US$193.0 million during the same period in 2003. Currently, approximately 8.3% of the revenues generated by the fuel tax must be transferred to the Republic's provinces and municipalities and 91.3% must be directed towards the payment of public sector external debt service.

Real Estate Taxes

Residential property is taxed at 1% of its appraised value with an exemption for properties valued at less than DOP5.0 million. The 2004 tax law extends the real estate tax to commercial, industrial and professional buildings.

Tax Amnesty

The 2000 tax law offered amnesty until 2001 to individuals and corporations with the objective of promoting transparency in income tax statements. Corporations that opted to take advantage of the tax amnesty avoided being audited for the last four years (including 2000), but were required to pay in 2001 taxes of 1.3% of the gross sales they reported for 1999. Similarly, individuals that opted to take advantage of the amnesty avoided being audited, and in exchange had to pay in 2001 0.5% of the difference between their real wealth and the wealth they reported on their income tax statement for 1999.

Under the 2004 tax law, individuals and corporations that did not take advantage of the 2000 tax amnesty may pay 1.0% of adjusted assets by December 31, 2004.

Tax Enforcement

The Government has been seeking to improve its tax-enforcement record. Although the Internal Revenue Agency withholds taxes and imposes penalties for tax evasion, its limited resources have prevented it from significantly reducing tax evasion. The Internal Revenue Agency has experienced particular difficulties in monitoring the earnings of self-employed workers. Evasion of property taxes has also been a significant problem due to the widespread use of misleading property values that have proved difficult for the Internal Revenue Agency to verify.

The Government has traditionally been more effective in enforcing value-added taxes and, in particular, excise taxes. These taxes must be paid on a monthly basis based on readily verifiable values such as sales volume, in the case of excise taxes, and invoiced amounts, in the case of value-added taxes. However, a growing number of establishments are suspected of charging value-added taxes to their customers but not reporting the collections to the Internal Revenue Agency.

Recent efforts to combat tax evasion include:

- Adoption of a minimum 1.5% tax on a company's estimated gross annual sales. This tax requires businesses to make a minimum tax contribution based on values that the Internal Revenue Agency may easily verify. In 2003, the Government's collections from this tax reached DOP74.2 billion (US$2.5

billion). The Internal Revenue Agency has heavily fined or closed several businesses that have failed to pay the minimum corporate tax.

- Changes in the Internal Revenue Agency, which include:

  - Ø internal restructuring in order to rationalize the responsibilities of its various departments and employees, to ensure that tax auditors have adequate training, and to improve the supervision of local offices throughout the country;

  - Ø optimization of collection and monitoring methods through the use of improved information technologies;

  - Ø simplification of tax-payment methods through reductions in paperwork and increased use of computerized systems;

  - Ø creation of a consumer hotline and Internet sites through which tax evasion may be easily reported; and

  - Ø establishment of adequate channels of communication with other government agencies in order to improve the sharing of information and facilitate monitoring.

- Improvements in the national taxpayer identification system through the implementation of new database systems, and the adoption of fees and penalties for failure to register.

Under the 2005 IMF Stand-By Arrangement, the Republic has committed to developing a detailed plan to improve tax compliance. Reforms will be based on the following objectives:

- improving Internal Revenue Agency planning and control capacities;

- computerization of information and core procedures;

- strengthening audit and enforcement procedures;

- improving customs inspection, valuation and methods; and

- legislative reform to criminalize tax fraud and evasion.

Budget

Under the Budget Law for the Public Sector enacted on December 11, 1969 (the "Budget Law"), the Technical Secretary of the Presidency, acting through the *Oficina Nacional de Presupuesto* (the "National Budget Office"), and the Ministry of Finance, are responsible for preparing the Republic's annual budget, which must be approved by Congress. The Government's annual budget sets forth spending limits for the various public entities. The President, acting through the National Budget Office, retains full discretion to adjust the amounts allocated to each of these entities based on actual revenue streams and macroeconomic conditions. This discretion gives the President considerable power to control public spending.

The annual budget is prepared on the basis of:

- proposals submitted by the various public entities;

- revenue estimates;

- assessments as to the possible impact of proposed fiscal changes; and

- Central Bank projections of macroeconomic variables.

The proposed budget for the next fiscal year is generally submitted by the President to the Congress in November of each year. Under the Budget Law, if Congress fails to approve the budget proposed by the President, the executive branch may operate on the basis of the budget that was approved for the previous year. The Budget Law does not provide for automatic adjustments of the budget to reflect the rate of inflation.

The Fernández administration developed the 2005 budget in accordance with the fiscal austerity measures under the 2005 IMF Stand-By Arrangement. The following table sets forth the principal macroeconomic assumptions on which the Government's 2005 budget is based.

Principal Budgetary Assumptions for 2005

Projected real GDP growth	2.5%
Projected inflation	13.5%
Projected external revenues	US$886 million

Sources: IMF and Central Bank.

The Government's 2005 budget projects fiscal revenues of DOP154.5 billion (US$5.6 billion). This amount does not take into account external and internal financing resources. The budget projects public expenditures of DOP160.2 billion (US$5.8 billion).

The following table summarizes the Government's preliminary principal budgetary targets for 2005.

Principal Economic Targets for 2005(1)

Overall consolidated public sector deficit(1)	(3.9)% of GDP
Gross public sector debt denominated in foreign currency	US$6.95 billion
Change in net international reserves of the Central Bank relative to December 2004(2)	US$200 million

(1) Of which (0.7)% corresponds to the Non-Financial Public Sector.
(2) Excluding reserve requirements on foreign currency deposits.
Source: Based on estimates and the 2005 IMF Stand-By Arrangement approved on February 1, 2005.

Social Security

In May 2001, the *Ley de Seguridad Social* (the "Social Security Law") was enacted by the executive branch. This law implements significant changes to the health insurance and pension systems in the Dominican Republic. Under the prior social security system, current social security contributions were used to pay for the benefits that were currently being provided by the Government. This "pay-as-you-go" system had one of the lowest levels of coverage in Latin America and the Caribbean. The small size of this system facilitated its reform, since its liabilities or implicit pension debt were relatively low, amounting to 9.3% of the Republic's GDP at the time of its enactment.

The Social Security Law requires participation in the new individual capitalization system. Under this system, workers may select the pension fund administrator of their choice and may switch to another pension fund administrator only once a year.

The new social security system is based on three regimes:

- a contributory regime, that covers public and private workers, and consists of individual retirement savings accounts, 30% of which will be funded by the worker and 70% by the employer. The yearly combined contribution of the worker and the employer to each account must equal 10% of the worker's annual salary;

- a subsidized regime, which went into effect in May 2004, that covers disabled individuals, indigent individuals over 60 years of age and female heads of indigent households who can prove they receive a monthly income of less than 50% of the private sector minimum wage. Eligible beneficiaries receive a publicly-funded pension equal to 60% of the public sector minimum wage; and

- a subsidized contributory regime, which is scheduled to go into effect in May 2005, that covers all self-employed workers earning an average wage equal to or higher than the minimum wage. The minimum pension under this regime is equal to 70% of the private sector minimum wage. Each eligible worker whose pension under this regime does not reach the minimum pension established will receive a supplemental pension equal to the difference between the worker's actual pension under the contributory regime and the minimum guaranteed pension. The subsidized contributory regime is funded with contributions from the state and beneficiaries.

PUBLIC SECTOR DEBT

The Republic's total public debt consists of foreign-currency denominated and peso-denominated debt. The Republic's total public external debt consists of loans from foreign creditors to the Central Bank, the Government and public sector entities, as well as bonds issued by the Government and public sector entities outside of the Dominican Republic. The Ministry of Finance and the Technical Ministry of the Presidency are responsible for the management of the Republic's public debt, with the exception of the Republic's Brady Bonds, which are managed by the Central Bank.

External Debt

The Republic's external indebtedness consists of all foreign-currency denominated debt. As of December 31, 2004, the Republic's public external debt totaled approximately US$6.4 billion, compared to US$6.0 billion as of December 31, 2003.

The Republic's external debt includes:

- multilateral and other official loans;
- public bonds;
- commercial bank loans; and
- credit extended by suppliers of goods and services to the Government.

As of December 31, 2004, approximately 85.1% of the Republic's external debt was denominated in U.S. dollars.

The following tables set forth information concerning the Republic's public external debt as of the dates indicated.

Public Sector External Debt by Creditor
(in millions of US$ and as a % of total public sector external debt)

	1999		2000		2001		2002		2003		2004	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Official creditors:												
Multilateral debt:												
IDB	850.3	23.2	842.3	22.9	917.4	22.0	1,006.8	22.2	1,145.8	19.1	1,343.3	21.1
World Bank	275.1	7.5	294.0	8.0	317.5	7.6	353.2	7.8	352.0	5.9	380.6	6.0
IDA(1)	14.7	0.4	14.0	0.4	13.4	0.3	12.7	0.3	12.0	0.2	11.4	0.2
IFAD(2)	7.7	0.2	8.8	0.2	8.9	0.2	10.6	0.2	14.4	0.2	14.9	0.2
IMF	54.5	1.5	51.7	1.4	49.9	1.2	26.9	0.6	130.1	2.2	203.9	3.2
OPEC(3)	13.6	0.4	10.7	0.3	7.9	0.2	5.9	0.1	4.4	0.1	2.1	—
Other	19.7	0.5	21.4	0.6	25.6	0.5	27.9	0.6	33.8	0.6	34.4	0.5
Total multi-lateral debt	1,235.6	33.7	1,242.9	33.8	1,340.6	32.0	1,444.0	31.8	1,692.5	28.3	1,990.7	31.2
Bilateral debt:												
United States	844.7	23.1	745.0	20.2	626.4	15.0	564.3	12.5	639.4	10.7	756.2	11.9
Spain	392.9	10.7	540.2	14.7	509.0	12.2	496.1	10.9	460.6	7.7	392.9	6.2
Japan	197.7	5.4	168.8	4.6	151.4	3.6	171.2	3.8	192.8	3.2	192.7	3.0
Venezuela	130.8	3.6	104.7	2.8	80.4	1.9	69.8	1.5	62.9	1.1	43.8	0.7
Other countries	193.7	5.3	184.8	5.0	231.5	5.5	384.0	8.5	647.5	10.5	746.8	11.7
Total bilateral debt	1,759.8	48.1	1,743.5	47.3	1,598.7	38.2	1,685.4	37.1	2,023.2	33.1	2,132.5	33.4
Total official debt	2,995.3	81.8	2,986.4	81.2	2,939.4	70.3	3,129.4	69.0	3,675.7	61.4	4,123.2	64.6
Private creditors:												
Banking(4)	618.9	16.9	658.0	17.9	707.0	17.0	846.1	18.7	802.4	13.4	780.5	12.2
Bonds	–	–	–	–	500.0	12.0	500.0	11.0	1,100.0	18.4	1,100.0	17.2
Suppliers	46.0	1.3	35.0	1.0	29.7	0.7	60.9	1.3	408.3	6.8	376.0	5.9
Total private sector debt	664.9	18.2	693.0	18.9	1,236.7	29.7	1,407.0	31.0	2,310.7	38.6	2,256.5	35.4
Total public sector debt	3,660.2	100.0	3,679.4	100.0	4,176.1	100.0	4,536.4	100.0	5,987.0	100.0	6,379.7	100.0
Total public sector external debt as a percentage of:												
GDP	21.0		18.6		19.3		20.9		36.0		34.2	
Total Exports	45.9		41.4		50.0		55.4		68.0		68.7	

(1) International Development Association.
(2) International Fund for Agricultural Development.
(3) Organization of Petroleum Exporting Countries.
(4) Includes Brady Bonds.
Source: Ministry of Finance, Department of Public Credit and Central Bank.

Public Sector External Debt Structure, by Maturity Date
(in millions of US$ and as a % of total public sector external debt)

As of December 31, 2004

Medium- and long-term..	US$ 6,353.1
Short-term[(1)]	US$ 26.6
Short-term debt (as a % of total public sector external debt)	0.4%

(1) Debt due within a year, on a residual maturity basis.
Source: Ministry of Finance and Central Bank.

Summary of Public Sector External Debt by Currency
(in millions of U.S. dollars, except percentages)

	As of December 31, 2004	
Currency	**Amount (US$)[(1)]**	**%**
U.S. dollar	5,432.0	85.1
IDB unit of account[(2)]	198.6	3.1
Japanese yen	213.5	3.3
Euro	263.4	4.1
Special drawing rights (SDRs)[(3)]	227.8	3.6
Canadian dollar	17.1	0.3
Swiss franc	4.7	0.1
Danish crown	8.0	0.1
Pound sterling	4.8	0.1
Norwegian crown	4.5	0.1
Swedish crown	5.3	0.1
Total	6,379.7	100.0

(1) In currencies converted as of December 31, 2004.
(2) The financial unit in which U.S. dollar obligations to the IDB are expressed. These obligations are pending payments and are expressed in the different currencies that are accounted for in the central currency account of the IDB. As of December 31, 2004, the value of one unit of account was US$1.6313.
(3) The unit of account used by the IMF. As of December 31, 2004, each SDR was equal to US$1.5530.
Source: Ministry of Finance and Central Bank.

Public Sector External Debt, Net of Reserves
(in millions of US$)

	1999	**2000**	**2001**	**2002**	**2003**	**2004[(1)]**
Public sector external debt...	3,660.2	3,679.4	4,176.1	4,536.4	5,987.0	6,481.0
Gross international reserves of the Central Bank	706.3	638.8	1,155.3	629.8	279.4	587.0
Public sector external debt, net of reserves.....	2,953.9	3,040.6	3,020.8	3,906.6	5,707.6	5,894.1

(1) Preliminary data, as of September 30, 2004.
Source: Ministry of Finance and Central Bank.

Debt Owed to Official Institutions

Historically, the IMF, the IDB and the World Bank have provided the Dominican Republic with financial support subject to the Government's compliance with stabilization and reform policies. As conditions to its lending, the IMF has established quantitative and qualitative performance criteria, including:

- *quantitative performance criteria*, designed to assess the Government's fiscal and monetary management and debt administration, including fiscal targets, limits on the expansion of domestic credit and the accumulation of new debt, and targets for maintaining or increasing the Government's net international reserves; and

- *qualitative performance criteria*, designed to assess structural reforms of the financial system and the public sector.

These criteria generally evolve through a dialogue between the Government and the IMF and have a significant impact on Government policies. For further discussion of the criteria currently in place between the Government and the IMF, see "— IMF."

Generally, the World Bank and the IDB have made funding conditional on compliance with IMF criteria as well as other conditions. The financial support of the World Bank and the IDB includes sector-specific and structural loans intended to finance social programs, public works and structural adjustments at the national and local levels.

From 2000 through 2004, the total amount of debt owed by the Government to multilateral creditors increased 60.1%, from US$1.2 billion in 2000 to US$2.0 billion in 2004. In 2003, the Government made net payments to multilateral lenders (including the IMF, the IDB, the World Bank and other institutions) in an aggregate amount of US$182.1 million (including payments of principal, interest and commissions). In 2004, the net amount of these payments increased to US$190.4 million.

IDB

The IDB is the Government's single largest creditor. As of December 31, 2004, the Government owed a total of US$1.34 billion, representing 67.5% of the Republic's total multilateral debt and 21.1% of its total public external debt. Loans from the IDB have been destined primarily for projects relating to agriculture, environment, rural development, education, social investment and financial sector reform. Under an emergency loan program established in 2004, the IDB is scheduled to make a US$50 million disbursement to the Republic in the second quarter of 2005. The Government plans to apply the proceeds from the loan to partially finance its projected 2005 budget deficit.

During 2003, net principal inflows from the IDB (equal to disbursements minus principal amortizations) totaled US$99.1 million, while disbursements minus principal and interest amortizations resulted in net inflows of US$62.3 million. During the first six months of 2004, net principal inflows reached US$186.1 million, while disbursements minus principal amortization interest payments resulted in net inflows from the IDB of US$147.8 million.

The IDB is currently in the process of formulating its lending policy towards the Republic for the next four-year period. The Republic expects the IDB's lending policies to continue to be focused on supporting development projects, partially financing future budget deficits and providing technical assistance to the Government.

World Bank

As of December 31, 2004, the Government owed a total of US$380.6 million to the World Bank, representing 19.1% of the Republic's total multilateral debt and 6.0% of its total public external debt. Past loans from the World Bank have funded projects relating to agriculture and irrigation, education, health, energy and transportation. As part of the World Bank's emergency loan program with the Republic, the Government is scheduled to receive a US$50 million disbursement in the second quarter of 2005 that will be directed towards reducing the social impact of the economic crisis in the electricity sector.

In 2003, the Republic paid net principal outflows to the World Bank of US$1.9 million and during the first nine months of 2004 received US$35.6 million in World Bank inflows. Taking into account interest payments, the

Republic had net World Bank outflows of US$22.7 million in 2003 and inflows totaling US$24.7 million as of September 30, 2004.

IMF

As of December 31, 2004, the Government owed the IMF a total of US$203.9 million, which equaled approximately 60% of its IMF borrowing quota at that date.

The Government currently has in place the 2005 IMF Stand-By Arrangement with the IMF for approximately US$665.2 million (based on the exchange rate between the U.S. dollar and the IMF's lending units, known as SDRs, as of December 31, 2004). This facility was approved by the IMF on February 1, 2005 and is designed to support the Republic's economic program with the IMF through May 2007. The first disbursement under the 2005 IMF Stand-By Arrangement was made on February 2, 2005 in the amount of US$79.9 million.

Disbursements under the 2005 IMF Stand-By Arrangement are to be made quarterly during 2005 and 2006 and will accrue interest at 2.3% annually. The Republic's access to the facility is also conditioned on the Government meeting certain quantitative and qualitative performance criteria, including the following:

- the implementation of macroeconomic policies to stabilize prices and promote sustainable growth;
- an increase in taxes and a reduction in public expenditures;
- an improvement in the non-financial public sector balance to (0.7)% of GDP in 2005 and to a surplus of 0.7% of GDP in 2006;
- a reduction in public indebtedness and the implementation of a financing strategy that will resolve short term liquidity problems currently experienced by the Government. The reprofiling achieved by the exchange of the Existing Bonds for Exchange Bonds is an integral part of this commitment with the IMF;
- the implementation of a financing strategy that includes as a key component the renegotiation of indebtedness with Paris Club creditors and the rescheduling of debts owed to commercial banks and suppliers;
- the strengthening of the Dominican banking and financial sectors through increased regulatory supervision to ensure more efficient markets and stability in the economy;
- a system-wide audit of the Dominican banking sector, focusing on accounting practices, control systems and asset valuation practices;
- the introduction of legislation to increase the supervision and regulatory control over the banking sector; and
- the appointment of a special prosecutor to conduct judicial actions against the management and shareholders of BanInter, Bancrédito and Banco Mercantil.

Prior to the 2005 IMF Stand-by Arrangement, the Government and the IMF had entered into a two-year stand-by credit facility of approximately US$600 million in August 2003, following significant pressure on the peso and concerns of further economic deterioration as a result of the country's banking crisis. The IMF suspended the facility in September 2003, after the Government deviated from the economic program agreed to with the IMF in connection with the stand-by facility when it re-purchased from Unión Fenosa two electrical distribution companies that had previously been privatized by the Mejía administration. See "The Economy—Privatization and Role of the State in the Economy—Privatization." Following the reinstatement of the facility in February 2003, the IMF suspended disbursements for a second time in March 2004 due to the Republic's failure to meet agreed first quarter fiscal targets. The failure was the result of misreporting of non-financial public sector debt in the preparation of the

Government's economic plan with the IMF. The 2005 IMF Stand-by Arrangement cancelled and replaced the suspended 2003 facility.

Paris Club and Other Bilateral Lenders

As of December 31, 2004, the Government owed a total of US$1.8 billion to members of the Paris Club and an additional US$314.2 million to other bilateral lenders. The Republic had arrearages with Paris Club lenders totaling US$8.2 million, and US$0.8 million with other bilateral lenders, as of December 31, 2004.

The Republic renegotiated the payment terms on US$193 million of indebtedness owed to Paris Club member countries in April 2004. As part of the restructuring agreement, the Republic has committed itself to maintain comparable debt relief from private creditors and non-Paris Club bilateral creditors. For further information on the Republic's restructuring plans and the implications of the Paris Club condition of comparability of treatment, see "—Debt Restructuring."

In November 2004, President Fernández and President Hugo Chávez of Venezuela signed the "Caracas Energy Cooperation Agreement," under which Venezuela agreed to provide the Dominican Republic with favorable economic terms for the financing of purchases of Venezuelan crude and refined oil. Under the agreement, Venezuela agreed to supply the Dominican Republic with a minimum of 50,000 barrels per day and will provide financing for up to 25% of the purchase price of the oil imported by Venezuela. Amounts financed under the agreement will accrue interest at 2% annually, and are repayable over a maximum period of 15 years (with a one-year grace period on amortization). Assuming an average price per barrel of US$50, the total amount of financing available to the Republic under the Caracas Energy Cooperation Agreement would be approximately US$228.1 million per year. See "The Economy—Secondary Production—Electricity, Gas and Water—Electricity."

Public External Bonds

As of December 31, 2004, the Republic's outstanding public external indebtedness totaled US$1.5 billion, and was composed of:

- US$1.1 billion outstanding principal amount of Existing Bonds; and
- US$427.4 million outstanding principal amount of discount bonds and past-due interest bonds, which are obligations of the Central Bank issued in 1994 in connection with a renegotiation of the Republic's external commercial bank debt, which is referred to in this offering memorandum as the "Brady Restructuring," with the following basic terms:
    - Ø US$328.6 million outstanding principal amount of 30-year discount bonds due 2024, which are collateralized by zero-coupon U.S. Treasury bonds; and
    - Ø US$98.9 million outstanding principal amount of 15-year past-due interest bonds, which are due in 2009 and are referred to in this offering memorandum as "PDI bonds."

For more information on the Brady Restructuring, see "—Debt Restructuring—History of Debt Restructuring."

The Government has made late payments in the past with respect to its public external bonds. In April 2004, the Republic incurred penalty interest in connection with a late payment made on its PDI bonds. In addition, the Republic has occasionally made payments during the 30-day grace period provided under the payment terms of the Existing Bonds instead of on the due date. In February 2005, the Republic made a US$27.1 million interest payment on the 2013 Bonds that was due in January 2005 and on or about April 20, 2005, the Republic made a US$23.75 million interest payment on the 2006 Bonds that was due in March 2005.

External Debt owed to Commercial Lenders and Suppliers

The Government owed US$353.1 million to commercial bank creditors and US$376.0 million to suppliers of goods and services to the Republic as of December 31, 2004. As of the same date, the Republic's total arrears with its commercial creditors and suppliers were US$58.5 million.

Under its commitment with the Paris Club to restructure its indebtedness with private creditors on terms comparable to those granted by its Paris Club creditors, the Government is currently in the process of renegotiating the terms of its external commercial debt. Discussions between the Republic and its commercial bank creditors regarding the proposed rescheduling are in initial stages, and will also seek to address the treatment of approximately US$40 million of principal arrears outstanding as of December 31, 2004. The Republic cannot assure you that it will be successful in the rescheduling of its debt owed to commercial lenders and suppliers. For a discussion of the Republic's progress in the renegotiation of its indebtedness owed to commercial creditors, see "—Debt Restructuring—2005 Debt Restructuring Plans."

Public External Debt Service

Driven by an increase in indebtedness and the depreciation of the peso, total public sector external debt service increased from 4.1% of GDP in 2002 to 6.8% of GDP in 2003. Public sector external debt service measured as percentage of total exports of goods and services increased from 10.8% in 2002 to 12.8% in 2003, despite a 6.7% increase in exports during 2003.

The following tables set forth information regarding the Republic's public sector external debt service for the periods indicated.

Public Sector External Debt Service[1]
(in millions of US$)

	1999	2000	2001	2002[2]	2003[2]	2004[3]
Interest payments	169.5	226.3	206.7	215.3	263.4	225.1
Amortization	662.0	886.0	836.8	667.4	862.0	307.4
Total public sector external debt service[1]	831.4	1,112.4	1,043.6	882.7	1,125.4	532.5

(1) Includes external debt service of Central Bank.
(2) Preliminary data.
(3) Preliminary data, as of September 30, 2004.
Source: Central Bank.

Public Sector External Debt Service Ratios[1]

	1999	2000	2001	2002[2]	2003[2]	2004[3]
As a percentage of total exports	10.4	12.5	12.5	10.8	12.8	7.7
As a percentage of GDP	4.8	5.6	4.8	4.1	6.8	4.9
As a percentage of current income	30.5	35.6	29.6	24.7	42.5	25.6
As a percentage of gross reserves	117.7	174.1	90.3	140.2	402.8	90.7

(1) Includes external debt service of Central Bank.
(2) Preliminary data.
(3) Preliminary data, as of September 30, 2004.
Source: Ministry of Finance and Central Bank.

The following table sets forth the Republic's estimated public external debt service through 2009.

Estimated Public Sector Debt Service by Debtor[(1)]
2005-2009
(in millions of US$, except for %)

	2005			2006			2007			2008			2009		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Central Bank:															
Reserve liabilities:															
IMF	–	11.5	11.5	15.8	13.0	28.8	106.4	12.2	118.5	238.4	8.9	247.3	200.9	3.8	204.8
Total reserve liabilities	–	11.5	11.5	15.8	13.0	28.8	106.4	12.2	118.5	238.4	8.9	247.3	200.9	3.8	204.8
Non-reserve liabilities	26.8	21.0	47.8	26.8	27.6	54.4	26.8	26.1	52.9	26.4	24.5	50.9	26.4	23.1	49.5
DEFINPRO[(2)]	18.2	4.1	22.3	18.2	3.1	21.3	18.2	2.0	20.2	5.9	1.0	6.9	4.5	0.8	5.2
Total Central Bank	44.9	36.7	81.6	60.7	43.8	104.5	151.4	40.2	191.6	270.7	34.4	305.1	231.8	27.7	259.5
Public Sector															
Non-financial public sector															
Central Government	620.4	389.3	1,009.7	1,178.7	382.0	1,560.7	675.2	301.9	977.1	531.8	269.4	801.2	513.9	241.3	755.2
Other governmental institutions:															
CDEEE	24.1	3.6	27.7	13.0	2.3	15.3	9.9	1.5	11.4	8.2	0.9	9.0	4.5	0.4	4.9
INDRHI	0.9	0.2	1.1	0.9	0.1	1.1	0.9	0.1	1.1	0.9	0.1	1.0	0.9	–	1.0
Total other	25.0	3.8	28.8	14.0	2.4	16.4	10.9	1.6	12.4	9.1	0.9	10.0	5.5	0.4	5.9
Public enterprises	0.7	0.7	1.4	0.7	1.0	1.7	0.7	0.9	1.6	0.7	0.9	1.6	0.7	0.8	1.5
Privately publicly guaranteed	2.3	0.7	3.0	2.3	0.6	3.0	2.3	0.6	2.9	2.3	0.5	2.8	2.3	0.4	2.7
Total non-financial public sector	423.7	249.8	673.5	495.6	264.9	760.5	457.6	239.9	697.5	435.1	208.9	644.0	900.0	184.9	1,084.9
Financial public sector	6.7	1.2	7.9	6.7	0.7	7.4	3.4	0.2	3.6	0.1	0.1	0.1	0.1	0.1	0.1
Of which:															
Banco de Reservas	6.7	1.2	7.9	6.7	0.7	7.4	3.4	0.2	3.6	0.1	0.1	0.1	0.1	0.1	0.1
Total public sector	655.2	395.6	1,050.8	1,202.4	386.7	1,589.1	692.4	305.2	997.6	543.9	271.8	815.7	522.4	243.0	765.4
Total public sector debt[(3)]	700.1	432.3	1,132.4	1,263.1	430.5	1,693.6	843.8	345.4	1,189.2	814.6	306.2	1,120.8	754.2	270.7	1,024.9

(1) Preliminary estimates conducted in November 2004.
(2) *Departmento de Desarrollo y Financiamiento de Proyectos* (Department of Financing and Development of Projects).
(3) Includes the total Central Bank debt service.
Source: Ministry of Finance.

Domestic Debt

As of December 31, 2004, the Republic's domestic debt primarily consisted of:

- DOP7.8 billion outstanding principal amount of peso-denominated bonds issued by the Government in the local market;
- peso-denominated loans totaling DOP17.5 billion and dollar-denominated loans totaling US$172.1 million from *Banco de Reservas*;
- peso-denominated loans totaling DOP$391.9 million and dollar-denominated loans totaling US$83.1 million from other domestic commercial banks; and
- DOP718.0 million of treasury certificates.

As of December 31, 2004, approximately 77.3% of the Republic's domestic debt was denominated in pesos, while the balance was denominated in U.S. dollars.

The following table sets forth the Republic's total public sector domestic debt:

Total Public Sector Domestic Debt
(in millions of US$)(1)

	1999	2000	2001	2002	2003	2004(2)
Treasury Bonds (Law 104-99)	US$0.8	US$97.6	US$106.1	US$114.6	US$92.2	US$80.6
Treasury Bonds (Law 172-03)	–	–	–	–	–	85.7
Treasury Certificates	10.2	9.2	6.0	–	–	–
Other liabilities(3)	448.1	358.2	490.6	396.4	519.5	745.6
Total	US$459.1	US$465.0	US$602.7	US$511.0	US$611.7	US$911.9
Total public sector domestic debt as a % of GDP	2.6%	2.3%	2.8%	2.4%	3.7%	4.9%

(1) Converted to U.S. dollars using the weighted average exchange rate at year-end or period-end.
(2) Preliminary data.
(3) Includes indebtedness of all branches of government, public financial and non-financial institutions and entities with private suppliers, electricity distribution and generation companies, and private commercial banks (*Banco Popular, Banco Dominicano del Progreso* and *Banco BHD*).
Source: Ministry of Finance.

The following domestic bond offerings were recently approved by the Dominican Congress:

- a DOP1.9 billion issuance, the proceeds of which are planned to be used to redeem outstanding domestic Government bonds. The new bonds will accrue interest at 20% per year, adjusted for inflation, and mature in December 2009;

- a DOP2.6 billion issuance, the proceeds of which are planned to be used to pay arrears on domestic debt owed by the Government to the private sector. As currently contemplated, the bonds will accrue interest at 7% per year and mature in April 2009;

- a DOP2.3 billion issuance by the Central Bank, the proceeds of which are planned to be used to reduce the Central Bank's quasi-fiscal deficit and comply with capital requirements agreed to with the IMF as part of the country's financial sector reforms. The bonds will accrue interest at 2%, adjusted for inflation, and will mature in ten years following the date of their issuance; and

- a DOP1.5 billion issuance by the Republic to capitalize *Banco de Reservas*. The bonds will accrue interest at 2%, adjusted for inflation, and will mature in ten years following the date of their issuance.

Additionally, in 2004 the Government negotiated a credit facility in the amount US$130 million with *Banco de Reservas*. The first disbursement of US$60 million, released on December 31, 2004, was used to service public sector external debt.

Domestic Debt Service

As a result of the liquidity crisis, the Government has lacked the capacity to service domestic debt on a timely basis. As of December 31, 2003, interest and amortization payments in arrears due to domestic creditors amounted to DOP3.6 billion.

Under its 2005 IMF Stand-By Arrangement the Republic has committed to:

- pay DOP3.6 billion in arrears accumulated with its domestic creditors through December 31, 2003, which it plans to pay using proceeds from the proposed domestic bond issuance currently pending Congressional approval and DOP1.0 billion from its 2005 budget; and

- formulate a financing plan by June 2005 to clear arrears accumulated during 2004.

The Government has also taken steps to improve the administration of the Republic's domestic debt obligations, including:

- placing the *Comisión Evaluadora de Deuda* (the Commission of Debt Evaluation) under the supervision of the Republic's general auditors;

- consolidating the function of the administration of the Republic's debt to the Ministry of Finance, with the exception of the Republic's Brady Bonds, which are administered by the Central Bank;

- modernizing debt-related systems and information technology; and

- adopting programs to train personnel, and streamline and modernize procedures related to debt, with assistance from the IDB.

Debt Related to the Private Electricity Sector

Fiscal deficits and disputes between the Government and private operators over the management and tariff regulation of the electricity sector have led to disputes between parties and missed payments by the Government. In August 2004, the Government cleared arrears it owed to distributors of electricity. See "The Economy—Secondary Production—Electricity, Gas and Water—Electricity."

Through August 2004, the Government owed DOP500 million in arrears to generators, distributors and other operators in the electrical sector. The Government plans to pay only accrued interest to these creditors in 2005 and to resume payments of principal in 2006.

In September 2003, as a result of persisting financial and operating problems in the Republic's electrical sector, the Government entered into a purchase agreement with Unión Fenosa to reacquire its 50% ownership interests in the power distribution companies Ede Norte and Ede Sur. See "The Economy—Privatization and Role of the State in the Economy—Privatization." Under the agreement, the Republic agreed to pay Unión Fenosa a total purchase price of US$347.5 million over 12 years, which is secured by certain customer receivables payable to the distributors. The outstanding portion of the purchase price accrues interest at 4% per year and, together with amortization payments, is payable under a mortgage-style schedule. The Republic is currently in negotiations with Unión Fenosa to restructure its payment obligations under the purchase agreement. In addition to the purchase price installments, the Republic paid Unión Fenosa an up-front fee of US$15.0 million in cash, which the Republic financed through borrowings from *Banco de Reservas*. See "—Debt Restructuring—2005 Debt Restructuring Plans."

Debt Restructuring

History of Debt Restructuring

In November 1991, the Republic restructured US$926.0 million of indebtedness owed to the Paris Club. As a result of this restructuring, the Republic obtained the following extensions with respect to indebtedness maturing in September 1991 and March 1993:

- a 20-year extension for concessionary credits and credits issued in connection with development projects, with a 10-year grace period;

- a 15-year extension for non-concessionary credits, with an 8-year grace period; and

- a 10-year extension on interest on arrears, with a 5-year grace period.

The Republic returned to the Paris Club in April 2004 and rescheduled US$193 million of maturities falling due in 2004 (amounts due fell from US$479 million to US$293 million) and US$38 million of arrears owed to Paris Club creditors. The rescheduling included:

- 12-year repayment term, with a 5-year grace period;

- no increase in interest rates for borrowed amounts targeted at development projects, and market rates for the Republic's other credits; and

- a requirement that the Government seek comparable treatment from non-Paris Club bilateral and private creditors, which the Paris Club normally assesses in terms of the effect of private treatment, compared to the effects of Paris Club treatment, on:

  - Ø maturity extensions;

  - Ø effect of the agreement on net present value of the repayment profile; and

  - Ø cash flow relief.

A failure by the Government to satisfy the Paris Club's condition of comparable treatment could result in the rescission of the debt relief granted in 2004 by the Republic's Paris Club lenders. The Government is currently pursuing a comprehensive restructuring plan with the private sector to meet the Paris Club's requirement of comparability of treatment. See "—2005 Debt Restructuring Plans."

In February 1994, the Dominican Republic carried out a refinancing agreement of its medium- and long-term debt owed to commercial banks through the issuance by the Central Bank of two series of public sector external bonds. The Brady Restructuring reduced the Republic's international commercial debt from US$1.3 billion to US$328.6 million in 30-year discount bonds and US$191.3 million in 15-year past-due interest bonds. The discount bonds are collateralized by zero-coupon U.S. Treasury bonds, and the payments of principal and interest under both series of bonds are guaranteed by the Republic.

2005 Debt Restructuring Plans

In order to comply with the Paris Club's general condition that the Republic obtain comparable debt relief from its other creditors, the Government has committed to implement the following restructuring plans in 2005:

- the restructuring of the Existing Bonds, as described in this offering memorandum, in order to adjust the Republic's scheduled debt service to improve fiscal balance in line with IMF-approved macroeconomic forecasts;

- the rescheduling of certain maturities falling due to commercial bank creditors in 2005 and 2006. Discussions between the Republic and its commercial bank creditors regarding the proposed rescheduling are in initial stages, and will also seek to address the treatment of approximately US$40 million of principal arrears outstanding as of December 31, 2004; and

- the restructuring of the Republic's outstanding principal balance of approximately US$336 million relating to its purchase agreement with Unión Fenosa entered into in September 2003, under which the Government repurchased Ede Norte and Ede Sur.

The Republic cannot assure you that negotiations with commercial bank creditors and Unión Fenosa will be successfully concluded or that, if successful, the resulting terms will be similar to those of the Offer.

The Government's restructuring plans are an integral piece of managing its ability to make payments on its public sector indebtedness. In addition to the Paris Club conditionality, the debt relief sought by the Republic through its 2005 restructuring plans are built in to the fiscal and technical targets agreed to with the IMF. The failure by the Government to fully implement its debt-restructuring plans could result in the suspension of the 2005 IMF Stand-By Arrangement and the rescission of the bilateral debt relief that was conditionally granted by Paris Club lenders in April 2004. See "Risk Factors—Risks Relating to the Republic."

Debt Record

Following the Brady Restructuring, the Republic has serviced its external debt without default, subject to the following:

- between 1994 and 1997, a default by the Republic in respect of payments owed to the Commodity Credit Corporation, due to a dispute concerning the amount of such debt. This dispute was settled in 1997, and payment was made immediately thereafter;

- amounts in arrears owed to NISSHO Iwai and the Marubeni Corporation did not qualify for inclusion in the Brady Restructuring. These amounts were reconciled and settled in 1997;

- a debt deferral granted by the Paris Club in respect of amounts coming due between September 1998 and December 31, 1999 in consideration of losses suffered by the Republic as a result of Hurricane Georges. The IMF did not consider the deferral granted by the Paris Club as a default on external debt service;

- a five-year debt rescheduling granted by Venezuela after Hurricane Georges;

- arrears in payments due to OPEC of US$10 million, which were settled in 1996, continued to appear as arrears until 1998 since the rescheduling was not approved by the Dominican Congress until 1999;

- arrears in payments due to the Republic's commercial creditors and suppliers, which totaled US$58.5 million as of December 31, 2004; and

- arrears of principal payments due to Paris Club creditors of approximately US$40 million, which were settled in December 2004 and January 2005.

DESCRIPTION OF EXCHANGE BONDS

This section of this offering memorandum is intended to be an overview of the material provisions of the Exchange Bonds and the indenture. The Republic urges you to read the indenture for a complete description of the Republic's obligations and your rights as a holder of the Exchange Bonds. The Republic has filed, or will file, copies of the indenture at the offices of the trustee, the Luxembourg listing agent and the Luxembourg exchange agent, where they will be made available to you free of charge.

The Exchange Bonds will be issued under an indenture to be dated as of the Settlement Date, between the Republic and The Bank of New York, as trustee.

The definitions of certain capitalized terms used in this section are set forth under "—Defined Terms."

General

The Exchange Bonds will be issued in two series:

- 9.50% Amortizing Bonds Due 2011, or the "New 2011 Bonds;" and

- 9.04% Amortizing Bonds Due 2018, or the "New 2018 Bonds."

Basic Terms Common to Both Series of Exchange Bonds

The Exchange Bonds will:

- be general, direct, unconditional, unsubordinated and unsecured obligations of the Republic and will be backed by the full faith and credit of the Republic;

- be issued in denominations of US$1,000 and in integral multiples of US$1 in excess thereof; and

- be represented by one or more registered Exchange Bonds in global form, but in certain limited circumstances may be represented by Exchange Bonds in certificated form. See "Book-Entry Settlement and Clearance."

Terms of the New 2011 Bonds

The New 2011 Bonds will:

- initially be issued in a maximum aggregate principal amount of US$500,000,000 (with the actual aggregate principal amount issued to depend on the aggregate principal amount of 2006 Bonds validly tendered and accepted in the Offer);

- accrue interest on their outstanding principal amount from March 27, 2005 at a rate of 9.50% per year, computed on the basis of a 360-day year comprised of twelve 30-day months;

- provide for the payment of interest, a portion of which will be capitalized on certain payment dates as set forth below, semi-annually in arrears on March 27 and September 27 of each year, commencing on September 27, 2005, to the holders of record on the March 15 and September 15 immediately preceding the related interest payment date;

- provide for an increase in principal amount as of September 27, 2005, March 27, 2006 and September 27, 2006 in lieu of specified portions of the interest payments on those dates, as set forth below;

- provide for payments of ten equal principal installments to be made semi-annually on March 27 and September 27 of each year, commencing on March 27, 2007 and with the final principal installment to be made at maturity on September 27, 2011;

- each such principal installment will be in the amount of US$109.785 for each US$1,000.00 initial principal amount of New 2011 Bonds issued and outstanding; and

- have a final maturity date of September 27, 2011.

Interest payments on the New 2011 Bonds will be made in cash, except that 100% of the amount of the interest payment otherwise due and payable on September 27, 2005, and 50% of the amount of the interest payments otherwise due and payable on March 27, 2006 and September 27, 2006 will be capitalized. This means that on the relevant payment date, the capitalized portion of interest due is not paid in cash, but instead is added to the amount of principal of your New 2011 Bonds, and future calculations of interest are based on this adjusted amount of principal.

The principal amount of the New 2011 Bonds, for each US$1,000 of 2006 Bonds exchanged in the Offer, will be as follows:

Date	Accreted Principal Amount
Settlement Date	US$1,000.00
September 27, 2005	1,047.50
March 27, 2006	1,072.38
September 27, 2006	1,097.85

The principal repayment schedule for each US$1,000 of 2006 Bonds exchanged in the Offer, reflecting the increase in principal of the New 2011 Bonds as a result of the capitalization of interest referred to above, will be as follows:

Payment Date	Principal Installment
March 27, 2007	US$109.785
September 27, 2007	109.785
March 27, 2008	109.785
September 27, 2008	109.785
March 27, 2009	109.785
September 27, 2009	109.785
March 27, 2010	109.785
September 27, 2010	109.785
March 27, 2011	109.785
September 27, 2011	109.785
Total	US$1,097.850

Principal installments paid to each holder will be rounded up to the nearest US$0.01.

Terms of the New 2018 Bonds

The New 2018 Bonds will:

- initially be issued in a maximum aggregate principal amount of US$600,000,000 (with the actual aggregate principal amount issued to depend on the aggregate principal amount of 2013 Bonds validly tendered and accepted in the Offer);

- accrue interest on their outstanding principal amount from January 23, 2005 at a rate of 9.04% per year, computed on the basis of a 360-day year comprised of twelve 30-day months;

- provide for the payment of interest, a portion of which will be capitalized on certain payment dates as set forth below, semi-annually in arrears on January 23 and July 23 of each year, commencing on July 23, 2005, to the holders of record on the January 15 and July 15 immediately preceding the related interest payment date;

- provide for an increase in principal amount as of July 23, 2005, January 23, 2006 and July 23, 2006 in lieu of specified portions of the interest payments on those dates, as set forth below;

- provide for payments of ten equal principal installments to be made semi-annually on January 23 and July 23 of each year, commencing on July 23, 2013 and with the final principal installment to be made at maturity on January 23, 2018;

- each of such principal installment will be in the amount of US$109.298 for each US$1,000 principal amount of New 2018 Bonds issued and outstanding; and

- have a final maturity date of January 23, 2018.

Interest payments on the New 2018 Bonds will be made in cash, except that 100% of the amount of the interest payment otherwise due and payable on July 23, 2005 and 50% of the amount of the interest payments otherwise due and payable on January 23, 2006 and July 23, 2006 will be capitalized.

The principal amount of the New 2018 Bonds, for each US$1,000.00 of 2013 Bonds exchanged in the Offer, will be as follows:

Date	**Accreted Principal Amount**
Settlement Date	US$1,000.00
July 23, 2005	1,045.20
January 23, 2006	1,068.82
July 23, 2006	1,092.98

The principal repayment schedule for each US$1,000.00 of 2013 Bonds exchanged in the Offer, reflecting the increase in principal of the New 2018 Bonds as a result of the capitalization of interest referred to above, will be as follows:

Payment Date	**Principal Installment**
July 23, 2013	US$109.298
January 23, 2014	109.298
July 23, 2014	109.298
January 23, 2015	109.298
July 23, 2015	109.298
January 23, 2016	109.298
July 23, 2016	109.298
January 23, 2017	109.298
July 23, 2017	109.298
January 23, 2018	109.298
Total	US$1,092.980

Principal installments paid to each holder will be rounded up to the nearest US$0.01.

Payment

Principal of, and interest on, the Exchange Bonds will be payable at the offices or agencies maintained by the Republic for such purpose (which initially will be the offices of the payment agents specified on the inside back cover page of this offering memorandum). Payment of principal of and interest on Exchange Bonds in global form registered in the name of or held by DTC, or its nominee, will be made in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of the global Exchange Bonds. If any of the Exchange Bonds are no longer represented by global Exchange Bonds, payment of interest on the Exchange Bonds in physical, certificated form may, at the Republic's option, be made by check mailed directly to holders at their registered addresses.

The Republic will maintain a principal paying agent, a transfer agent and a registrar in New York City and a paying agent and a transfer agent in Western Europe (which, so long as the Exchange Bonds of a series are listed on the Luxembourg Stock Exchange and the rules of the Exchange so require, will be in Luxembourg). The Republic undertakes that, as described further under "Taxation—Proposed European Union Directive on the Taxation of Certain Interest Payments," it will ensure that it maintains a paying agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the directive regarding taxation of savings income. The Republic will also give prompt notice to all holders of Exchange Bonds of any future appointment or any resignation or removal of any paying agent, transfer agent or registrar or of any change by any paying agent, transfer agent or registrar in any of its specified offices.

If any date for an interest or principal payment is not a business day, the Republic will make the payment on the next business day. Such payments will be deemed to have been made on the due date, and no interest on the Exchange Bonds will accrue as a result of the delay in payment. For the purpose of this section, a "business day" means any day that is not a Saturday or Sunday, and that is not a day on which banking or trust institutions are authorized generally or obligated by law, regulation, or executive order to close in New York City.

Claims against the Republic for the payment of principal of, or interest on, the Exchange Bonds (including additional amounts) must be made within five years of the date on which that payment first became due.

The registered holder of an Exchange Bond will be treated as its owner for all purposes.

Transfer, Exchange and Replacement of Bonds

Holders of Exchange Bonds may exchange them for Exchange Bonds of a different authorized denomination by submitting the Exchange Bonds, together with a written request for an exchange, at the offices or agencies maintained by the Republic for such purpose (which initially will be the offices of the transfer agents specified on the inside back cover page of this offering memorandum). In addition, the holder of any Exchange Bond may transfer it in whole or in part by surrendering it at any of such offices together with an executed instrument of transfer.

No service charge will be made for any registration of transfer or exchange of Exchange Bonds of a series, but the Republic may require payment of an amount sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

If an Exchange Bond of a series becomes mutilated, defaced, destroyed, lost or stolen, the Republic may issue, and the trustee will authenticate and deliver, a substitute Exchange Bond of that series. In each case, the applicant for a substitute Exchange Bond of a series will be required to furnish to the Republic and to the trustee (or to any paying agent at whose offices the applicant presents the Exchange Bonds of that series for exchange) an indemnity under which it will agree to pay the Republic, the trustee and any other agent for any losses they may suffer relating to the Exchange Bond of that series that was mutilated, defaced, destroyed, lost or stolen. The Republic and the trustee may also require that the applicant present other documents or proof. The applicant will be required to pay all expenses and reasonable charges associated with the replacement of the mutilated, defaced, destroyed, lost or stolen Exchange Bond of that series.

Further Issuances

The Republic may from time to time, without the consent of either series of holders of Exchange Bonds, create and issue further Exchange Bonds of a series having the same terms and conditions as either series of Exchange Bonds in all respects, except for issue date, issue price and the first payment of interest thereon. Additional Exchange Bonds of a series issued in this manner will be consolidated with and will form a single series with the previously outstanding Exchange Bonds of that series.

Ranking

The Exchange Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of the Republic and will be backed by the full faith and credit of the Republic. The Exchange Bonds will be Public External Debt of the Republic. The Exchange Bonds of a series will rank equally among themselves and with all other existing and future unsubordinated and unsecured Public External Debt of the Republic.

Additional Amounts

Payments of principal of and interest on the Exchange Bonds are not currently subject to withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature in the Republic. The Republic will make payments in respect of the Exchange Bonds without withholding or deduction for any present or future taxes imposed by the Republic or any of its political subdivisions or taxing authorities, unless otherwise required by Dominican law. If Dominican law requires the Republic to deduct or withhold taxes, the Republic will pay holders of Exchange Bonds the additional amounts necessary to ensure that they receive the same amount as they would have received without such withholding or deduction.

The Republic will not, however, pay any additional amounts where the holder of Exchange Bonds is subject to such withholding or deduction due to one of the following reasons:

- the holder has some connection with the Republic other than merely owning the Exchange Bond or the receipt of principal of or interest on the Exchange Bond;

- the holder has failed to comply with any certification, identification or other reporting requirement concerning its nationality, residence, identity or connection with the Republic, provided that:

  - Ø compliance is required by the Republic, or any of its political subdivisions or taxing authorities, as a precondition to exemption from such withholding or deduction;

  - Ø at least 30 days prior to the first payment date with respect to which such requirements will apply, the Republic notifies all holders of Exchange Bonds that the holders will be required to comply with these requirements; and

  - Ø these requirements are not materially more onerous to such holders (in form, in procedure or in the substance of information disclosed) than comparable information or other reporting requirements imposed under U.S. federal tax law, regulation and administrative practice (such as U.S. Internal Revenue Service Forms W-8 and W-9); or

- the holder has failed to present its Exchange Bond (where such presentation is required by the terms of the Exchange Bonds) within 30 days from when the Republic makes available to the holder a payment of principal or interest.

All references in this offering memorandum to principal of or interest on the Exchange Bonds will include any additional amounts payable by the Republic in respect of such principal or interest.

Negative Pledge Covenant

So long as any Exchange Bond remains outstanding, the Republic may not allow any Lien on its assets or revenues as security for any of its Public External Debt, unless the Republic's obligations under the Exchange Bonds are secured equally and ratably with such Public External Debt. The Republic may, however, grant or agree to any Permitted Lien (as defined under "—Defined Terms") on its assets or revenues.

Events of Default

Each of the following is an event of default with respect to a series of Exchange Bonds:

1. *Non-Payment*:

   - failure to pay for 20 days principal of the Exchange Bonds of that series when due; or

   - failure to pay for 30 days interest on the Exchange Bonds of that series when due; or

2. *Breach of Other Obligations*: failure to observe or perform any of the covenants or agreements provided in the Exchange Bonds of that series or the indenture (other than those referred to in paragraph 1 above) for a period of 60 days following written notice to the Republic by the trustee or holders representing at least 25% in principal amount of the then outstanding Exchange Bonds of that series to remedy such failure; or

3. *Cross Default*:

   - failure by the Republic, beyond any applicable grace period, to make any payment when due on Public External Debt (other than the Existing Bonds) in an aggregate principal amount greater than or equal to US$25,000,000 (or its equivalent in other currencies); or

   - acceleration of any Public External Debt (other than the Existing Bonds) in an aggregate principal amount greater than or equal to US$25,000,000 (or its equivalent in other currencies) due to an event of default, unless such acceleration is rescinded or annulled; or

4. *Moratorium*: declaration by the Republic of a general suspension of, or a moratorium on, payments of Public External Debt (other than with respect to the Existing Bonds); or

5. *Validity*:

   - the Republic contests any of its obligations under the Exchange Bonds of that series or the indenture in a formal administrative, legislative or judicial proceeding;

   - the Republic denies any of its obligations under the Exchange Bonds of that series or the indenture; or

   - any constitutional provision, treaty, law, regulation, decree, or other official pronouncement of the Republic, or any final decision by any court in the Republic having jurisdiction, renders it unlawful for the Republic to pay any amount due on the Exchange Bonds of that series or to perform any of its obligations under the Exchange Bonds of that series or the indenture; or

6. *Judgments*: any writ, execution, attachment or similar process is levied against all or any substantial part of the assets of the Republic in connection with any judgment (except with respect to the Existing Bonds) for the payment of money exceeding US$25,000,000 (or its equivalent in other currencies) and failure by the Republic either to satisfy or discharge such judgment, or adequately bond, contest in good faith or receive a stay of execution or continuance in respect of such judgment, within a period of 120 days; or

7. *Membership in International Monetary Fund*: failure by the Republic to maintain its membership in, and its eligibility to use the general resources of, the IMF, and such failure continues for a period of 60 days.

If any of the events of default described above occurs and is continuing, the trustee, by written notice to the Republic, or the holders of not less than 25% of the aggregate principal amount of the Exchange Bonds of that series outstanding (as defined below), by written notice to the Republic with a copy to the trustee, may declare all the Exchange Bonds of that series then outstanding to be immediately due and payable. Accordingly, holders of less than 25% of the aggregate principal amount of the outstanding Exchange Bonds of a series may not, on their own, declare the Exchange Bonds of that series to be due and payable immediately. The trustee or the holders of the Exchange Bonds of a series may exercise these acceleration rights only by providing such written notice to the Republic, with a copy to the trustee (in the case of a declaration by holders), at a time when the event of default is continuing.

The Republic will notify the trustee promptly upon becoming aware of the occurrence of any event of default or potential event of default.

Upon any declaration of acceleration, the principal of, and interest and all other amounts payable on, any affected series of Exchange Bonds, will become immediately due and payable on the date on which the Republic receives written notice of the declaration, unless the Republic has remedied the event or events of default prior to receiving the notice. The holders of not less than a majority of the aggregate principal amount of the outstanding Exchange Bonds of that series may, on behalf of all holders of such Exchange Bonds of that series, waive any existing defaults or events of default and their consequences or rescind a declaration of acceleration, if:

- following the declaration of the Exchange Bonds of that series being due and payable immediately, the Republic deposits forthwith with the trustee a sum sufficient to pay all overdue installments of principal, interest and other amounts in respect of the Exchange Bonds of that series as well as the reasonable fees and compensation of the trustee; and

- all other events of default have been remedied.

An event of default under one series of Exchange Bonds will not necessarily constitute an event of default under the other series of Exchange Bonds.

Meetings, Amendments and Waivers

The Republic may call a meeting of the holders of the Exchange Bonds of a series at any time regarding the Exchange Bonds of that series or the indenture. The Republic will determine the time and place of the meeting and will notify the holders of the time, place and purpose of the meeting not less than 30 and not more than 60 days before the meeting.

In addition, the trustee will call a meeting of the holders of the Exchange Bonds of a series if the holders of not less than 10% of the aggregate principal amount of the outstanding Exchange Bonds of that series have delivered a written request to the trustee setting forth the action they propose to take. The trustee will notify the holders of the affected series of the time, place and purpose of any meeting called by the holders not less than 30 and not more than 60 days before the meeting.

Only holders and their proxies are entitled to vote at a meeting of holders. Holders or proxies representing a majority of the aggregate principal amount of the outstanding Exchange Bonds of a series will normally constitute a quorum. However, if a meeting is adjourned for a lack of a quorum, then holders or proxies representing not less than 25% of the aggregate principal amount of the outstanding Exchange Bonds of that series will constitute a quorum when the meeting is rescheduled. In the absence of a quorum, a meeting may be adjourned for a period of not less than 10 days. Notice of the reconvening of any meeting need be given only once, but must be given not less than 10 days and not more than 20 days prior to the reconvened meeting. For purposes of a meeting of holders that proposes to discuss "reserved matters" (specified below), holders or proxies representing not less than 75% of the aggregate principal amount of the outstanding Exchange Bonds of the affected series (66 2/3% of the aggregate principal amount of the outstanding Exchange Bonds of each series in the case of reserved matters with respect to both series) will constitute a quorum. The trustee will set the procedures governing the conduct of any meeting.

The Republic, the trustee and the holders may generally modify or take actions with respect to the terms of the Exchange Bonds of a series or the indenture insofar as it affects the Exchange Bonds of that series:

- with the affirmative vote of the holders of not less than 66 2/3% of the aggregate principal amount of the outstanding Exchange Bonds of that series that are represented at a duly called and held meeting; or

- with the written consent of the holders of not less than 66 2/3% of the aggregate principal amount of the outstanding Exchange Bonds of that series (without the need for a meeting of holders or a vote of such holders at a meeting).

However, special requirements apply with respect to any amendment, modification, change or waiver with respect to the Exchange Bonds of a series or the indenture insofar as it affects the Exchange Bonds of that series that would:

- change the due date or dates for the payment of principal of, or interest on, the Exchange Bonds of that series;

- reduce the principal amount of the Exchange Bonds of that series;

- reduce the principal amount of the Exchange Bonds of that series that is payable upon acceleration of the maturity date;

- reduce the interest rate applicable to the Exchange Bonds of that series;

- change the currency in which any amount in respect of the Exchange Bonds of that series is payable or the place or places in which such payment is to be made;

- reduce the percentage of the aggregate principal amount of the outstanding Exchange Bonds of that series held by holders whose vote or consent is needed to modify, amend or supplement the terms and conditions of the Exchange Bonds of that series or the indenture or to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action;

- change the definition of "outstanding" with respect to the Exchange Bonds of that series;

- change the Republic's obligation to pay any additional amounts in respect of the Exchange Bonds of that series as set forth under "—Additional Amounts;"

- change the governing law provision of the Exchange Bonds of that series;

- change the courts of the jurisdiction of which the Republic has submitted, the Republic's obligation to appoint and maintain an agent for the service of process in New York City or the Republic's agreement not to claim, and to waive irrevocably, immunity (sovereign or otherwise) in respect of any suit, actions or proceedings arising out of or relating to the indenture or to the Exchange Bonds of that series;

- in connection with an exchange offer for, or offer to acquire all or any portion of, the Exchange Bonds of that series, amend any event of default under the Exchange Bonds of that series; or

- change the ranking of the Exchange Bonds of that series, as described under "—Ranking."

The above-listed matters are "reserved matters" and any amendment, modification, change or waiver with respect to a reserved matter is a "reserved matter modification." A reserved matter modification, including a change to the payment terms of the Exchange Bonds of a series, may be made without a holder's consent, as long as the requisite supermajority of the holders (set forth below) agrees to the reserved matter modification.

Any reserved matter modification to the terms of the Exchange Bonds of a series or to the indenture insofar as it affects the Exchange Bonds of that series may generally be made, and future compliance therewith may be waived, with the consent of the holders of not less than 75% in aggregate principal amount of the Exchange Bonds of that series at the time outstanding.

If the Republic proposes any reserved matter modification to the terms of the Exchange Bonds of both series or to the indenture insofar as it affects the Exchange Bonds of both series, in either case as part of a single transaction, the Republic may elect to proceed pursuant to provisions of the indenture providing that such reserved matter modifications may be made, and future compliance therewith may be waived, for any affected series if made with the consent of the Republic and:

- holders of not less than 85% in aggregate principal amount of the outstanding Exchange Bonds of both series affected by that reserved matter modification (taken in aggregate); and

- holders of not less than 66 2/3% in aggregate principal amount of the outstanding Exchange Bonds of each series (taken separately).

If any reserved matter modification is sought in the context of a simultaneous offer to exchange the Exchange Bonds of one or both series for new debt securities of the Republic or of any other Person, the Republic will ensure that the relevant provisions of the affected Exchange Bonds, as amended by such reserved matter modification, are no less favorable to the holders thereof than the provisions of the new debt security being offered in the exchange, or, if more than one debt security is so offered, no less favorable than the new debt security issued having the largest aggregate principal amount.

The Republic agrees that it will not issue new Exchange Bonds of a series or reopen any existing series of Exchange Bonds with the intention of placing Exchange Bonds of that series with holders expected to support any modification proposed or to be proposed by the Republic for approval pursuant to the modification provisions of the indenture or the terms of any series of Exchange Bonds.

Any modification consented to or approved by the holders of the Exchange Bonds of one or both series pursuant to the above provisions will be conclusive and binding on all holders of the Exchange Bonds of such series (whether or not such holders have given such consent or were present at a meeting of holders at which such action was taken) and on all future holders of the Exchange Bonds of such series (whether or not notation of such modification is made upon the Exchange Bonds of such series). Any instrument given by or on behalf of any holder of an Exchange Bond in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent holders of that Exchange Bond.

The Republic and the trustee may, without the vote or consent of any holder of the Exchange Bonds of that series, modify, amend or supplement the Exchange Bonds of that series or the indenture insofar as it affects Exchange Bonds of that series for any of the following purposes:

- to add to the Republic's covenants for the benefit of the holders of the Exchange Bonds of that series;
- to surrender any of the Republic's rights or powers;
- to provide security or collateral for the Exchange Bonds of that series;
- to cure any ambiguity or correct or supplement any defective provision contained in the Exchange Bonds of that series or the indenture; or
- to change the terms and conditions of the Exchange Bonds of that series or the indenture in any manner which the Republic and the trustee may determine, so long as any such change does not, and will not, adversely affect the interests of the holders of the Exchange Bonds of that series.

For purposes of determining whether the required percentage or percentages of holders of the Exchange Bonds of one or both series are present at a meeting of holders for quorum purposes or have approved any amendment, modification or change to, or waiver of, the Exchange Bonds of a series or the indenture insofar as it affects Exchange Bonds of that series, or whether the required percentage or percentages of holders have delivered a written notice of acceleration of the Exchange Bonds of that series, any Exchange Bonds of that series owned, directly or indirectly, by or on behalf of the Republic or any public sector instrumentality of the Republic will be disregarded and deemed not to be "outstanding," except that in determining whether the trustee will be protected in relying upon any amendment, modification, change or waiver, or any notice from holders, only Exchange Bonds of that series that the trustee knows to be so owned will be so disregarded.

As used in the preceding paragraph, "public sector instrumentality" means the Central Bank of the Republic, any department, ministry or agency of the Republic or any corporation, trust, financial institution or other entity owned or controlled by the Republic or any of the foregoing. The term "control" means, in turn, the power, directly or indirectly, through the ownership of voting securities or other ownership interests, to direct the management of, or elect or appoint a majority of, the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

Prior to any vote or consent on a reserved matter modification affecting any series of Exchange Bonds, the Republic will deliver to the trustee a certificate signed by an authorized representative of the Republic specifying, for the Republic and each relevant public sector instrumentality, any Exchange Bonds of that series deemed to not be outstanding as described above or, if no Exchange Bonds of that series are owned or controlled by the Republic or any public sector instrumentality, a certificate signed by an authorized representative of the Republic to that effect.

Notices

The Republic will mail notices to holders of Exchange Bonds at their registered addresses as reflected in the books and records of the trustee. The Republic will consider any mailed notice to have been given five business days after it has been sent.

The Republic will also publish notices to holders of Exchange Bonds in leading newspapers having general circulation in New York City and London. The Republic anticipates that it will make such publications in *The Wall Street Journal* and the *Financial Times*. In addition, so long as the Exchange Bonds of a series are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, the Republic will publish notices to the holders of Exchange Bonds of that series in a leading newspaper having general circulation in Luxembourg. The Republic anticipates that it will initially make such publication in the *d'Wort*. If publication in a leading newspaper in Luxembourg is not practical, the Republic will publish such notices in one other leading English language daily newspaper with general circulation in Europe. The Republic will consider any published notice to be given on the date of its first publication.

Governing Law

The indenture and the Exchange Bonds will be governed by, and construed in accordance with, the law of the State of New York.

Submission to Jurisdiction

The Republic is a foreign sovereign state. Consequently, it may be difficult for holders of Exchange Bonds to obtain judgments from courts in the United States or elsewhere against the Republic. Furthermore, it may be difficult for investors to enforce, in the United States or elsewhere, the judgments of U.S. or foreign courts against the Republic.

In connection with any legal action or proceeding arising out of or relating to the Exchange Bonds of any series (subject to the exceptions described below), the Republic has agreed:

- to submit to the jurisdiction of any New York State or U.S. federal court sitting in New York City in the Borough of Manhattan and any appellate court of either thereof;

- that all claims in respect of such legal action or proceeding may be heard and determined in such New York state or U.S. federal court and will waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding; and

- to appoint as its process agent CT Corporation System, with an office currently at 111 Eighth Avenue, New York, New York 10011, United States.

The process agent will receive, on behalf of the Republic and its property, service of copies of any summons and complaint and any other process which may be served in any such legal action or proceeding brought in such New York State or U.S. federal court sitting in New York City in the Borough of Manhattan. Service may be made by mailing or delivering a copy of such process to the Republic at the address specified above for the process agent.

A final non-appealable judgment in any of the above legal actions or proceedings will be conclusive and may be enforced by a suit upon such judgment in any other courts that may have jurisdiction over the Republic.

In addition to the foregoing, holders of Exchange Bonds may serve legal process in any other manner permitted by applicable law. The above provisions do not limit the right of any holder to bring any action or proceeding against the Republic or its property in other courts where jurisdiction is independently established.

To the extent that the Republic has or hereafter may acquire or have attributed to it any sovereign or other immunity under any law, the Republic has agreed to waive, to the fullest extent permitted by law, such immunity in respect of any claims or actions regarding its obligations under the Exchange Bonds, except that the Republic will not waive immunity from attachment prior to judgment and attachment in aid of execution under Dominican law.

Holders may be required to post a bond or other security with the Dominican courts as a condition to the institution, prosecution or completion of any action or proceeding (including appeals) arising out of or relating to the Exchange Bonds filed in those courts.

The Republic reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it under U.S. federal securities laws or any state securities laws, and the Republic's appointment of the process agent will not extend to such actions. Without a waiver of immunity by the Republic with respect to such actions, it would be impossible to obtain a U.S. judgment in such an action against the Republic unless a court were to determine that the Republic is not entitled under the U.S. Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such action. However, even if a U.S. judgment could be obtained in any such action under the U.S. Foreign Sovereign Immunities Act of 1976, it may not be possible to enforce in the Republic a judgment based on such a U.S. judgment.

A judgment obtained against the Republic in a foreign court can be enforced in the courts of the Republic, if such judgment is ratified by the Dominican courts. Based on existing law, Dominican courts will ratify such a judgment:

- if there exists a treaty with the country where such judgment was issued providing for reciprocal enforcement of foreign judgments (no such treaty exists at the present time between the Republic and the United States); or

- if such judgment:

  (a) complies with all formalities required for the enforceability thereof under the laws of the country where the same was issued;

  (b) has been translated into Spanish, together with related documents, and satisfies the authentication requirements of Dominican law;

  (c) was issued by a competent court after valid service of process upon the parties to the action;

  (d) was issued after an opportunity was given to the defendant to present its defense;

  (e) is not subject to further appeal; and

  (f) is not against Dominican public policy.

The Republic agrees to cause an appearance to be filed on its behalf and to defend itself in connection with any legal action or proceeding instituted against it. However, a default judgment obtained in the United States against the Republic, resulting from the Republic's failure to appear and defend itself in any suit filed against the Republic, or from the Republic's deemed absence at the proceedings, may not be enforceable in the Dominican courts.

Currency Indemnity

The obligation of the Republic to any holder under the Exchange Bonds of either series will be discharged only to the extent that the holder of Exchange Bonds of that series may purchase U.S. dollars with any other currency paid to that holder in accordance with any judgment or otherwise. If the holder cannot purchase U.S. dollars in the amount originally to be paid, the Republic agrees to pay the difference. The holder, however, agrees that, if the amount of U.S. dollars purchased exceeds the amount originally to be paid to that holder, the holder will reimburse the excess to the Republic. The holder, however, will not be obligated to make this reimbursement if the Republic is in default of its obligations under the Exchange Bonds of that series.

Concerning the Trustee

The indenture contains provisions relating to the obligations and duties of the trustee, to the indemnification of the trustee and to the trustee's relief from responsibility for actions that it takes.

The trustee is entitled to enter into business transactions with the Republic or any of its affiliates without accounting for any profit resulting from such transactions.

Defined Terms

The following are certain definitions used in the Exchange Bonds:

"External Debt" means obligations (other than the Exchange Bonds) of, or guaranteed (whether by contract, statute or otherwise) by, the Republic for borrowed money or evidenced by bonds, debentures, notes or similar instruments denominated or payable, or which, at the option of the holder thereof, may be payable, in a currency other than Dominican pesos or by reference to a currency other than Dominican pesos, regardless of whether that obligation is incurred or entered into within or outside the Republic.

"Lien" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any obligations with or from the proceeds of any assets or revenues of any kind.

"Permitted Liens" means:

- any Lien on property to secure Public External Debt arising in the ordinary course to finance export, import or other trade transactions, which Public External Debt matures (after giving effect to all renewals and refinancing thereof) not more than one year after the date on which such Public External Debt was originally incurred;

- any Lien on property to secure Public External Debt existing on such property at the time of its acquisition or incurred solely for the purpose of financing any acquisition by the Republic of such property, and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original financing without any increase in the amount thereof;

- any Lien securing Public External Debt incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, provided that:

  - Ø the holders of such Public External Debt agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Debt; and

  - Ø the property over which such Lien is granted consists solely of such assets and revenues;

- any Lien in existence as of the original issuance date of the Exchange Bonds; and

- any Lien securing Public External Debt which, together with all other Public External Debt secured by Liens (excluding Public External Debt secured by other Permitted Liens), does not exceed US$25,000,000 principal amount (or its equivalent in other currencies) in the aggregate.

"Public External Debt" means any External Debt that is in the form of, or represented by, bonds, notes or other securities that are or may be quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system or over-the-counter or other securities market.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global Bonds

The Exchange Bonds of each series will initially be issued in the form of registered Exchange Bonds in global form, without interest coupons, as follows:

- Exchange Bonds issued to qualified institutional buyers in reliance on the private offering exemption under the U.S. Securities Act of 1933, as amended which we refer to in this offering memorandum as the "Securities Act" will be represented by a global Exchange Bond, which we refer to in this offering memorandum as a "Restricted Global Exchange Bond;" and

- Exchange Bonds issued in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by a global Exchange Bond, which we refer to in this offering memorandum as a "Regulation S Global Exchange Bond."

Upon issuance, each of the global Exchange Bonds will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each global Exchange Bond will be limited to persons who have accounts with DTC (the "DTC participants"), or persons who hold interests through DTC participants. The Republic expects that under procedures established by DTC:

- upon deposit of each global Exchange Bond with DTC's custodian, DTC will credit portions of the principal amount of the global Exchange Bond to the accounts of the DTC participants designated by the dealer managers; and

- ownership of beneficial interests in each global Exchange Bond will be shown on, and transfers of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in each global Exchange Bond).

Beneficial interests in a Regulation S Global Exchange Bond will initially be credited within DTC to Euroclear and Clearstream Banking on behalf of the owners of such interests.

Investors may hold their interests in a Regulation S Global Exchange Bond directly through Euroclear or Clearstream Banking, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Investors may also hold their interests in a Regulation S Global Exchange Bond through organizations other than Euroclear or Clearstream Banking that are DTC participants. Each of Euroclear and Clearstream Banking will appoint a DTC participant to act as its depositary for the interests in a Regulation S Global Exchange Bond that are held within DTC for the account of each of these settlement systems on behalf of its respective participants.

Beneficial interests in the global Exchange Bonds may not be exchanged for Exchange Bonds in physical certificated form except in the limited circumstances described below.

Each global Exchange Bond and beneficial interests in each global Exchange Bond will be subject to restrictions on transfer as described under "Transfer Restrictions."

Exchanges between the Global Bonds

Beneficial interests in one global Exchange Bond of a series may generally be exchanged for interests in another global Exchange Bond of that series. Depending on whether the transfer is being made during or after the 40-day period commencing on the date of first issuance of the Exchange Bonds, and to which global Exchange Bond the transfer is being made, the trustee may require the seller to provide certain written certifications in the form provided in the indenture. In addition, in the case of a transfer of interests in a global Exchange Bond to an institutional accredited investor, the trustee may require the buyer to deliver a representation letter in the form provided in the indenture that states, among other things, that the buyer is not acquiring Exchange Bonds with a view to distributing them in violation of the Securities Act.

A beneficial interest in a global Exchange Bond that is transferred to a person who takes delivery through another global Exchange Bond of that series will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global Exchange Bond of that series.

Book-Entry Procedures for the Global Bonds

All interests in the global Exchange Bonds of that series will be subject to the operations and procedures of DTC, Euroclear and Clearstream Banking. The Republic provides the following summaries of those operations and procedures solely for the convenience of investors that hold the Exchange Bonds. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Republic nor the dealer managers are responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the laws of the State of New York;
- a ''banking organization'' within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a ''clearing corporation'' within the meaning of the Uniform Commercial Code; and
- a ''clearing agency'' registered under Section 17A of the U.S. Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including the dealer managers; banks and trust companies; clearing corporations; and other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of a global Exchange Bond, that nominee will be considered the sole owner or holder of the Exchange Bonds of that series represented by that global Exchange Bond for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global Exchange Bond of that series:

- will not be entitled to have Exchange Bonds of that series of that series represented by that global Exchange Bond registered in their names;
- will not receive or be entitled to receive physical, certificated Exchange Bonds of that series; and
- will not be considered the owners or holders of the Exchange Bonds of that series under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global Exchange Bond of that series must rely on the procedures of DTC to exercise any rights of a holder of Exchange Bonds under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest in the Exchange Bonds of that series).

Payments of principal and interest with respect to the Exchange Bonds of that series represented by a global Exchange Bond will be made by the trustee to DTC's nominee as the registered holder of the global Exchange Bond of that series. Neither the Republic nor the trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global Exchange Bond of that series, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global Exchange Bond will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream Banking will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and participants in Euroclear or Clearstream Banking, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream Banking. To deliver or receive an interest in a global Exchange Bond held in a Euroclear or Clearstream Banking account, an investor must send transfer instructions to Euroclear or Clearstream Banking, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream Banking, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant global Exchange Bonds in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream Banking participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream Banking.

Because of time zone differences, the securities account of a Euroclear or Clearstream Banking participant that purchases an interest in a global Exchange Bond of a series from a DTC participant will be credited on the business day for Euroclear or Clearstream Banking immediately following the DTC settlement date. Cash received in Euroclear or Clearstream Banking from the sale of an interest in a global Exchange Bond of a series to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream Banking cash account as of the business day for Euroclear or Clearstream Banking following the DTC settlement date.

DTC, Euroclear and Clearstream Banking have agreed to the above procedures to facilitate transfers of interests in the global Exchange Bonds among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither the Republic nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream Banking or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Bonds

Exchange Bonds of a series in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related Exchange Bonds of that series only if:

- DTC notifies the Republic at any time that it is unwilling or unable to continue as depositary for the global Exchange Bonds of that series and a successor depositary is not appointed within 90 days;

- DTC ceases to be registered as a clearing agency under the U.S. Securities Exchange Act of 1934 and a successor depositary is not appointed within 90 days;

- the Republic, at its option, notifies the trustee that it elects to cause the issuance of certificated Exchange Bonds of that series; or

- certain other events provided in the indenture occur.

TRANSFER RESTRICTIONS

The Exchange Bonds of each series are subject to the following restrictions on transfer. By acquiring Exchange Bonds of a series, you will be deemed to have made the following acknowledgements, representations to and agreements with the Republic and the dealer managers:

1. You acknowledge that:

   - the Exchange Bonds have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and

   - unless so registered, the Exchange Bonds may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of the Republic, that you are not acting on the Republic's behalf and that either:

   - you are a qualified institutional buyer (as defined in Rule 144A) and are acquiring Exchange Bonds for your own account or for the account of another qualified institutional buyer; or

   - you are not a U.S. person (as defined in Regulation S under the Securities Act) or acquiring for the account or benefit of a U.S. person, other than a distributor, and you are acquiring Exchange Bonds in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither the Republic nor the dealer managers nor any person representing the Republic or the dealer managers has made any representation to you with respect to the Republic or the offering of the Exchange Bonds of a series, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Exchange Bonds of either series. You agree that you have had access to such information concerning the Republic and the Exchange Bonds as you have deemed necessary in connection with your decision to purchase Exchange Bonds, including an opportunity to ask questions of and request information from the Republic.

4. You represent that you are acquiring Exchange Bonds of a series for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Exchange Bonds in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Exchange Bonds pursuant to Rule 144A or any other available exemption from the registration requirements of the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are acquiring Exchange Bonds, and each subsequent holder of the Exchange Bonds by its acceptance of the Exchange Bonds will agree, that until the end of the resale restriction period (as defined below), the Exchange Bonds may be offered, sold or otherwise transferred only:

   - to the Republic;

   - pursuant to a registration statement that has been declared effective under the Securities Act;

   - for so long as the Exchange Bonds of a series are eligible for resale under Rule 144A, to a person whom the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom it has given notice that the transfer is being made in reliance on Rule 144A;

- through offers and sales that occur outside the United States within the meaning of Regulation S;

- under any other available exemption from the registration requirements of the Securities Act; or

- subject in each of the above cases, to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or such account's control.

5. You also acknowledge that:

- the above restrictions on resale will apply from the closing date of the offering of the Exchange Bonds until the date that is two years after the later of the closing date and the last date that the Republic or any of its affiliates was the owner of Exchange Bonds of a series or any predecessor of the Exchange Bonds (the "resale restriction period"), and will not apply after the resale restriction period ends;

- the Republic and the trustee reserve the right to require, in connection with any offer, sale or other transfer of Exchange Bonds of a series before the resale restriction period ends under clauses (d) and (e) above, the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Republic and the trustee; and

- each Exchange Bond will contain a legend substantially to the following effect:

  THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ''SECURITIES ACT''), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE ''RESALE RESTRICTION TERMINATION DATE'') THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON WHOM IT REASONABLY BELIEVES IS A ''QUALIFIED INSTITUTIONAL BUYER'' (AS DEFINED IN RULE 144A) THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE REPUBLIC'S AND

> THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

You acknowledge that the Republic, the dealer managers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have been made by your acquisition of Exchange Bonds is no longer accurate, you will promptly notify the Republic and the dealer managers. If you are acquiring any Exchange Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

TAXATION

The following discussion summarizes certain Dominican and U.S. federal income tax considerations that may be relevant to you if you exchange Existing Bonds for Exchange Bonds. This summary is based on laws and regulations in effect in the Dominican Republic and laws, regulations, rulings and decisions now in effect in the United States. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisor about the tax consequences of exchanging Existing Bonds for Exchange Bonds and holding Exchange Bonds, including the relevance to your particular situation of the considerations discussed below, as well as of foreign, state, local or other tax laws.

Dominican Republic Income Tax Consequences

The following summary of certain Dominican tax matters is based on a review of the *Código Tributario* Law No.11-92 (the "Dominican Tax Code") enacted in 1992, as amended and its rules for application; Law No. 128-01, dated as of August 3, 2001; Law No. 01-03, dated as of January 7, 2003; and Law No. 118-05, dated as of April 4, 2005. This summary contains a description of the Dominican Republic's principal tax consequences of the Offer, but it does not purport to be a comprehensive description of all tax consequences that may be relevant to your decision to participate in the Offer.

This summary is based upon the tax laws of the Dominican Republic, as in effect on the date hereof, which are subject to change.

Assuming that the Existing Bonds remain in the form of global bonds registered in the name of a nominee of DTC and were not issued in definitive, certificated form, capital gains realized on the disposition by a foreign non-resident holder of the Existing Bonds will not be subject to any Dominican taxes, provided that such disposition occurs outside of the Dominican Republic.

Pursuant to Article 4 of Law No. 118-05, dated as of April 4, 2005, interest paid on the Exchange Bonds issued under this law is exempt from tax withholding and any other kind of withholding established under Article 306 of the Dominican Tax Code. Payments of principal of the Exchange Bonds to a foreign non-resident holder generally will not be subject to withholding tax or any other kind of withholding in the Dominican Republic. Capital gains realized on the disposition by a foreign non-resident holder of the Existing Bonds will not be subject to any Dominican taxes, provided that such disposition occurs outside of the Dominican Republic.

If the Exchange Bonds are composed of the capital of the Existing Bonds plus the accrued and unpaid interest, the exchange operation by the foreign non-resident holder will not be subject to capital gain taxes in the Dominican Republic.

A foreign non-resident holder of Exchange Bonds generally will not be liable for estate, gift, inheritance or similar taxes with respect to such bonds.

The extent of the tax exemptions for any Dominican source income is defined in and limited by Article 4 of Law No. 118-05 dated as of April 4, 2005.

U.S. Federal Income Tax Consequences

The following discussion summarizes certain U.S. federal income tax consequences of the Offer that may be material to you as a U.S. Holder. You are a U.S. Holder if you are a beneficial owner of Existing Bonds or Exchange Bonds that is a citizen or resident of the United States or a domestic corporation or otherwise subject to U.S. federal income tax on a net income basis in respect of the Existing Bonds or Exchange Bonds. This summary does not purport to be a comprehensive description of all of the tax consequences that may be relevant to your decision to participate in the Offer, including tax consequences that arise from rules of general application to all taxpayers or to certain classes of taxpayers or that are generally assumed to be known by investors. This summary also does not address the tax consequences to (i) persons that may be subject to special treatment under U.S. federal income tax law, such as banks, insurance companies, thrift institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, traders in securities that elect to mark-to-market and dealers in securities or currencies; (ii) persons that hold Existing Bonds or will hold Exchange Bonds as part of a position in a "straddle" or as part of a "hedging," "conversion" or other integrated investment transaction for U.S. federal income tax purposes; (iii) persons whose functional currency is not the U.S. dollar; (iv) persons that do not hold Existing Bonds or will not hold Exchange Bonds as capital assets; or (v) persons that do not acquire Exchange Bonds pursuant to the Offer.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change, possibly on a retroactive basis.

The Republic has not sought any ruling from the Internal Revenue Service (the "IRS") with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with all of such statements and conclusions. In addition, the discussion does not describe any tax consequences arising out of the laws of any state, local or foreign jurisdiction.

YOU ARE URGED TO CONSULT WITH YOUR TAX ADVISORS AS TO THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO YOU OF THE OFFER, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

Consequences of Tendering your Existing Bonds

In General

Under general principles of U.S. federal income tax law, a modification of the terms of a debt instrument (including an exchange of one debt instrument for another debt instrument having different terms) is a taxable event upon which gain or loss is realized only if such modification is "significant." A modification of a debt instrument that is not a significant modification does not create a taxable event. Under applicable regulations, the modification of a debt instrument is a "significant" modification if, based on all the facts and circumstances and taking into account all modifications, other than certain specified modifications, the legal rights or obligations that are altered and the degree to which they are altered is "economically significant." The applicable regulations also provide specific rules to determine whether certain modifications, such as a change in the timing of payments, are significant. Under these regulations, the exchange of 2006 Bonds for New 2011 Bonds should be considered a significant modification of the 2006 Bonds, primarily because of the changes in the timing of payments on such Bonds resulting from the exchange. In addition, although the matter is not entirely free from doubt, the Republic intends to treat the exchange of 2013 Bonds for New 2018 Bonds as a significant modification of the 2013 Bonds, primarily because of the changes in the timing of payments on such Bonds resulting from the exchange.

Taxable Exchange

In general, under the treatment of the exchange of your Existing Bonds for Exchange Bonds as a taxable transaction as described above, you will recognize capital gain or loss in the exchange (subject to the discussions of the market discount rules and amounts attributable to accrued but unpaid interest set forth below) in an amount equal to the difference between the amount that you realize in the exchange and your adjusted tax basis in the Existing Bonds that you tender at the time of the consummation of the Offer. Your adjusted tax basis in an Existing Bond generally will equal the amount paid therefor, increased by the amount of any market discount you have previously taken into account and reduced by the amount of any amortizable bond premium previously amortized with respect to the Existing Bond. The amount that you realize in the exchange should be equal to the issue price of the Exchange Bonds that you receive (determined for each Exchange Bond as described below under "– Issue Price"). Any such capital gain or loss will be long-term capital gain or loss if your holding period for the Existing Bonds on the date of exchange is more than one year. Long-term capital gains of non-corporate U.S. holders are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. That portion of the Exchange Bonds that is attributable to accrued but unpaid interest will be taxable to you as interest income to the extent you have not previously included such amounts in income.

In general, if you acquired the Existing Bonds with market discount, any gain you realize in the exchange of the Existing Bonds will be treated as ordinary income to the extent of the portion of the market discount that has accrued while you held such Existing Bonds, unless you have elected to include market discount in income currently as it accrues.

Your initial tax basis in the Exchange Bonds will be equal to their issue price (determined as described under "—Issue Price"). Your holding period with respect to such Exchange Bonds will begin the day following the consummation of the Offer.

Possible Characterization as Non-Taxable Exchange

If, contrary to the discussion above, the exchange of Existing Bonds that you hold is not deemed to result in a significant modification, you would not be required to recognize gain or loss on the exchange. Your basis in the Exchange Bonds would be the same as your basis in the Existing Bonds immediately before the exchange. Your holding period for the Exchange Bonds would include your holding period for the exchanged Existing Bonds.

If the exchange is not considered to be a taxable exchange, the Exchange Bonds would be treated as being reissued for purposes of the U.S. federal income tax rules relating to debt issued with "original issue discount" ("OID"). Under these rules, the Exchange Bonds would be treated as having an issue price equal to the "adjusted issue price" (as defined under "Consequences of Holding the Exchange Bonds—Qualified Stated Interest and Original Issue Discount on the Exchange Bonds") of the Existing Bonds that are surrendered in exchange therefor, which is equal to their stated principal amount. Because the "stated redemption price at maturity" (as defined under "Consequences of Holding the Exchange Bonds—Qualified Stated Interest and Original Issue Discount on the Exchange Bonds") of the Exchange Bonds that you will receive in the Offer will exceed such adjusted issue price by more than a de minimis amount, the New Bonds that you receive generally would be treated as issued with OID, and will be subject to tax in a manner comparable to that described under "—Consequences of Holding the Exchange Bonds—Qualified Stated Interest and Original Issue Discount on the Exchange Bonds."

Issue Price

As discussed under "—Consequences of Tendering Your Existing Bonds—Taxable Exchange," the amount you realize with respect to your tender of Existing Bonds will include the issue price of the Exchange Bonds received in the exchange. Your initial tax basis in such Exchange Bonds also will be equal to their issue price.

The issue price of an Exchange Bond generally will be equal to the fair market value of such Exchange Bond, determined as of the date of the exchange, if a substantial amount of the Exchange Bonds of the relevant series is "traded on an established market" for U.S. federal income tax purposes (generally meaning that the Exchange Bonds are listed on a major securities exchange, appear on a quotation medium of general circulation or otherwise are readily quotable by dealers, brokers or traders) during the 60-day period ending 30 days after the date of the exchange. If a substantial amount of a series of Exchange Bonds is not "traded on an established market," but the Existing Bonds delivered in exchange for such Exchange Bonds are so traded, the issue price of the relevant Exchange Bonds will be the fair market value of such Existing Bonds. The Republic expects that the Exchange Bonds will be traded on an established market for this purpose. Therefore, the Republic anticipates that the issue price of the Exchange Bonds will be their fair market value as of the date of the exchange.

Consequences of Holding the Exchange Bonds

Qualified Stated Interest and Original Issue Discount on the Exchange Bonds

In general, for U.S. federal income tax purposes you will include in gross income "qualified stated interest" (as defined below) payable on the Exchange Bonds at the time that such payments are accrued or are received, in accordance with your usual method of tax accounting.

The Exchange Bonds generally will be issued with OID for U.S. federal income tax purposes. As discussed in more detail below, you will be required to include OID on the Exchange Bonds in your gross income in advance of the receipt of corresponding cash payments on such Bonds. The amount of OID with respect to the Exchange Bonds will be equal to the excess of (i) the stated redemption price at maturity of the Exchange Bonds, over (ii) the issue price of the Exchange Bonds, determined as discussed under "—Issue Price." An Exchange Bond's stated redemption price at maturity is the sum of all payments due under the Exchange Bond other than payments of qualified stated interest.

Qualified stated interest is stated interest that is unconditionally payable in cash or in property at least annually at a single fixed rate. Accordingly, only interest payable at a rate corresponding to the interest paid in cash during the initial periods during which a portion of the interest coupon is capitalized will be treated as qualified stated interest. As a result of this rule, interest payable at a rate of 2.82%, compounded semi-annually, should be treated as qualified stated interest on the New 2011 Bonds, and interest payable at a rate of 3.34%, compounded semi-annually, should be treated as qualified stated interest on the New 2018 Bonds. All payments or accruals of stated interest in excess of the qualified stated interest of the Exchange Bonds will be included in the stated redemption price at maturity of the Exchange Bonds, and thus will be taken into account as OID on such Bonds.

In general, if you hold Exchange Bonds you will be required to include OID in gross income under a constant-yield method over the term of the Exchange Bonds in advance of cash payments attributable to such income, regardless of whether you are a cash or accrual method taxpayer, and without regard to the timing or amount of any actual payments. Under this treatment, you will include in ordinary gross income the sum of the "daily portions" of OID on the Exchange Bonds for all days during the taxable year that you own the Exchange Bonds. The daily portions of OID on an Exchange Bond are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be of any length and may vary in length over the term of the Exchange Bonds, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. The amount of OID on an Exchange Bond allocable to each accrual period will be determined by multiplying the "adjusted issue price" (as defined below) of the Exchange Bond at the beginning of the accrual period by the "yield to maturity" (as defined below) of such Exchange Bond and subtracting from that product the amount of any qualified stated interest. The total amount of OID on an Exchange Bond will be equal to the excess of all payments on the Exchange Bond other than qualified stated interest, over the issue price of such Exchange Bond. If your initial tax basis in an Exchange Bond is less than its remaining redemption amount (i.e., the total of all future payments to be made on the bond other than payments of qualified stated interest), but greater than its adjusted issue price, you will be entitled to reduce your periodic inclusions of OID to reflect the premium paid over the adjusted issue price.

The "adjusted issue price" of an Exchange Bond at the beginning of any accrual period generally will be the sum of its issue price, which includes any pre-issuance accrued interest on the Exchange Bonds, and the amount of OID allocable to all prior accrual periods, reduced by the amount of payments made on the Exchange Bond other than qualified stated interest. The "yield to maturity" of an Exchange Bond will be the discount rate (appropriately adjusted to reflect the length of accrual periods) that causes the present value of all payments on the Exchange Bond, including any payments of principal payable prior to the maturity of the Exchange Bond, to equal the issue price of such Bond. Your initial tax basis in an Exchange Bond, determined as described under "—Issue Price," will be increased over time by the amount of OID included in your gross income and decreased by the amount of payments on the Exchange Bonds other than payments of qualified stated interest.

Sale, Exchange or Disposition of Exchange Bonds

You will generally recognize gain or loss on the sale, exchange or other disposition of an Exchange Bond in an amount equal to the difference between the amount you realize on such sale, exchange or other disposition (less any accrued qualified stated interest, which will be taxable as interest income) and your tax basis in such Exchange Bond. Except as discussed below with respect to foreign currency gain or loss, the gain or loss that you recognize on the sale, exchange or retirement of an Exchange Bond generally will be capital gain or loss and will be long-term capital gain or loss if you have held the Exchange Bond for more than one year on the date of disposition.

Consequences of Not Participating in the Offer

Although the matter is not entirely free from doubt, if you are a U.S. holder that does not participate in the Offer, you should not realize a taxable event as a result of any changes made to the terms of your Existing Bonds pursuant to the Offer. Changes to the terms of the Existing Bonds will not result in a taxable event if such changes are not “economically significant.” Under applicable regulations, whether the modification of a debt instrument is economically significant is determined according to all the facts and circumstances. If you do not realize a taxable event in respect of your Existing Bonds, you will recognize income in respect of such Existing Bonds at the same time and in the same amounts as you would have recognized such income had the Offer not occurred.

U.S. Holders that do not participate in the Offer are urged to consult their own tax advisors with regard the application of U.S. federal income tax laws, as well as the laws of any state, local or foreign taxing jurisdictions, to their particular situations.

Non-U.S. Holders

Subject to the discussion of backup withholding below, if you are, with respect to the United States, a foreign corporation or nonresident alien individual (a “Non-U.S. Holder”), the interest income and gains that you derive in respect of the Existing Bonds and the Exchange Bonds generally will be exempt from U.S. federal income taxes, including withholding tax. However, to receive this exemption you may be required to satisfy certain certification requirements (described under “Backup Withholding and Information Reporting”) of the IRS to establish that you are a Non-U.S. Holder.

Even if you are a Non-U.S. Holder, you may still be subject to U.S. federal income taxes on any interest income, including OID, that you derive in respect of the Exchange Bonds if:

- you are an insurance company carrying on a U.S. insurance business to which such income is attributable within the meaning of the Code, or
- you have an office or other fixed place of business in the United States to which such income is attributable and the income either
  - is derived in the active conduct of a banking, financing or similar business within the United States, or
  - is received by a corporation the principal business of which is in trading stocks or securities for its own account and you are otherwise engaged in a U.S. trade or business.

If you are a Non-U.S. Holder, any gain you realize on a sale or exchange of the Existing Bonds or the Exchange Bonds generally will be exempt from U.S. federal income tax, including withholding tax, unless:

- such gain is effectively connected with the conduct of your trade or business within the United States, or
- if you are an individual, you are present in the United States for a total of 183 days or more during the taxable year in which such gain is realized and either
  - such gain is attributable to your office or fixed place of business maintained in the United States, or
  - you have a tax home in the United States.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to the accrual of OID and to payments in respect of the Exchange Bonds within the United States if you are not a corporation, and backup withholding will apply to such payments if you fail to provide an accurate taxpayer identification number or you are notified by the IRS that you have failed to report all interest and dividends required to be shown on your federal income tax return.

Backup withholding and information reporting will not apply to payments made by the Republic or any agent thereof (acting in such capacity) to you if you are a Non-U.S. Holder so long as either (i) if you are the beneficial owner, you certify to the Republic or its agent, under penalties of perjury, that you are a Non-U.S. Holder and provide your name, address and certain other information or (ii) you have otherwise established an exemption, and provided that neither the Republic nor its agent has actual knowledge that you are not a Non-U.S. Holder or that the conditions of any exemption are not in fact satisfied.

Backup withholding and information reporting will not apply to the sale of Exchange Bonds effected outside the United States by a foreign office of a foreign broker, provided that such broker (i) derives less than 50 percent of its gross income for certain periods from the conduct of a trade or business in the United States, (ii) is not a controlled foreign corporation for United States federal income tax purposes and (iii) is not a foreign partnership that, at any time during its taxable year, is 50 percent or more (by income or capital interest) owned by U.S. persons or is engaged in the conduct of a U.S. trade or business. If you receive payments of such amounts outside the United States from a foreign office of any other broker, the payment will not be subject to backup withholding tax, but will be subject to information reporting requirements unless (i) you are the beneficial owner and such broker has documentary evidence in its records that you are a Non-U.S. Holder or (ii) you otherwise establish an exemption, and provided that the broker does not have actual knowledge that you are not a Non-U.S. Holder or that the conditions of any exemption are not in fact satisfied.

JURISDICTIONAL RESTRICTIONS

The distribution of the Offer Materials and the transactions contemplated thereby are restricted by law in certain jurisdictions. Persons into whose possession the Offer Materials come are required by the Republic to inform themselves of and to observe any of these restrictions.

The Offer Materials do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation.

In any jurisdiction in which the Offer is required to be made by a licensed broker or dealer and in which the dealer managers or any of their affiliates are so licensed, it shall be deemed to be made by the dealer managers or such affiliate on behalf of the Republic.

Austria

The Offer will be made in Austria by means of a public offer under the exemption for sovereign states from the obligation to publish an audited prospectus pursuant to §3/1/2 of the Capital Markets Act (*Kapitalmarktgesetz*).

Bahamas

For assistance in connection with the Offer, you may contact the appropriate party listed in this offering memorandum. If you have any questions about this Offer and/or doubts about its terms and conditions, you should consult with your stockbroker, bank manager, counsel and attorney, accountant or other financial adviser. None of the Republic or the dealer managers has expressed any opinion as to whether the terms of the Offer are fair. The value of your overall investment may go down as well as up.

The Republic accepts responsibility for the information it has provided in this offering memorandum. To the best of the knowledge and belief of the Republic (which has taken all reasonable care to ensure that such is the case), the information contained in the offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

If you are a Bahamian resident, you are subject to Bahamian Exchange Control Regulations.

Bermuda

No restrictions apply to the Offer.

Cayman Islands

NOTICE TO THE PUBLIC IN THE CAYMAN ISLANDS:

Neither the Offer nor any offer to subscribe for the Exchange Bonds may be made to the public in the Cayman Islands.

Costa Rica

The Offer has not been registered in the Republic of Costa Rica, and its public offering has not been authorized in such jurisdiction by the *Superintendencia General de Valores*. The Exchange Bonds may not be publicly offered in Costa Rica.

Chile

The Exchange Bonds have not been registered in the Securities Registry (*Registro de Valores*) of the Chilean Superintendency of Securities and Insurance (*Superintendencia de Valores y Seguros*) and, therefore, the Exchange Bonds may not be publicly offered or sold in Chile.

Denmark

This offering memorandum has not been filed with, or approved by, the Danish Securities Council or any other Regulatory Authority in the Kingdom of Denmark.

The Exchange Bonds have not been offered or sold and may not be offered, sold or delivered directly or indirectly in the Denmark, unless in compliance with Chapter 12 of the Danish Act on Trading in Securities and the Danish Executive Order No. 166 of 13 March 2003 on the First Public Offer of Certain Securities issued pursuant hereto.

El Salvador

The Exchange Bonds have not been registered in the Salvadoran Stock Exchange and in the Registry of the Superintendence of Securities and, therefore, the Exchange Bonds may not be publicly offered or sold in El Salvador.

France

No offering circular (including this offering memorandum) subject to the approval (visa) of the *Autorité des Marchés Financiers* has been prepared in connection with the Offer. The Exchange Bonds may not be offered or sold, directly or indirectly, to the public in France and neither this offering memorandum nor any other Offer Materials or information contained therein relating to the Exchange Bonds may be released, issued or distributed or caused to be released, issued or distributed to the public in France, or used in connection with any offer in respect of the Exchange Bonds to the public in France. Only qualified investors (*investisseurs qualifiés*) acting for their own account as defined in Article L. 411 2 of the French Code *Monétaire et Financier and Décret* no. 98 880 dated October 1, 1998 may participate in the Offer. Persons into whose possession any Offer Materials come must inform themselves about and observe any such restrictions. The Offer does not constitute a solicitation by anyone not authorized to so act and the Offer Materials may not be used for or in connection with the Offer to solicit anyone to whom it is unlawful to make the Offer.

Germany

No sales prospectus has been published according to the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*). Accordingly, the Exchange Bonds are only offered or sold (i) to persons who purchase and/or sell securities (as principal or agent) as part of their profession or business and provide a confirmation to this effect and agree that they have not and will not pass on the Offer Materials to persons in Germany except to persons who purchase and/or sell securities (as principal or agent) as part of their profession or business, or (ii) pursuant to another applicable exemption from the obligation to publish a sales prospectus provided in the German Securities Sales Prospectus Act.

Guatemala

The Exchange Bonds have not been registered with the Guatemalan Securities Registry and, therefore, the Exchange Bonds may not be publicly offered or sold in Guatemala.

Italy

No Exchange Bonds will be offered, sold or delivered or copies of this offering memorandum or any other document relating to the Exchange Bonds or the Offer will be distributed in Italy, other than to a maximum of 200 investors resident in Italy. Such investors will be individually identified, will receive a numbered and personalized copy of the offering memorandum, and will be allowed to participate in the Offer exclusively on their own account. In addition, any such permitted offer, sale or delivery of Exchange Bonds or distribution of copies of this offering memorandum or any other document relating to the Exchange Bonds or the Offer in Italy will be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No 385 of September 1,1993 (the "Banking Act"), Decree No. 58 of February 24, 1998, *CONSOB* Regulation No. 11522 of July 1, 1998, as amended, and any other applicable laws and regulations; and

- in compliance with Article 129 of the Banking Act and the implementing instructions of the Bank of Italy, pursuant to which the issue or placement of Exchange Bonds to investors in Italy is conditioned upon obtaining authorization from the Bank of Italy. Application for such authorization has been made and is currently pending.

The Exchange Bonds may not be placed, sold or offered to individuals resident in Italy in the primary or in the secondary market.

Any investor purchasing the Exchange Bonds in the Offer is solely responsible for ensuring that any offer or resale of the Exchange Bonds it purchased occurs in compliance with applicable laws and regulations.

This offering memorandum and the information contained herein is intended only for the use of its recipient and is not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

Liechtenstein

This information is not an offer of securities but information only. In case of interest, please feel free to contact any of the following exclusively authorized institutions: banks, financial enterprises, investment funds and professional trustees.

Luxembourg

The Offer is being made in Luxembourg pursuant to a public offer and a listing of the Exchange Bonds on the Luxembourg Stock Exchange under the Offer Materials. Holders in Luxembourg should review, and make their decision to participate in the Offer solely on the basis of and in accordance with the procedures described in the Offer Materials.

The Netherlands

The Exchange Bonds may not be offered, sold, exchanged, transferred or delivered in or from the Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, other than to

- banks;

- pension funds;

- insurance companies;

- securities firms;

- investment institutions;

- central governments; and

- large international and supranational institutions and other comparable entities, including, among others, treasuries and finance companies of large enterprises, which trade or invest in securities in the conduct of a profession or trade.

Individuals or legal entities who or that do not trade or invest in securities in the conduct of their profession or trade may not participate in the Offer, and the Offer may not be considered an offer or the prospect of an offer to sell the Existing Bonds or exchange the Existing Bonds for the Exchange Bonds.

The Netherlands Antilles

No restrictions apply to the Offer.

Russia

The Offer Materials are being distributed to a limited circle of persons only and are provided exclusively for your own information and are not to be provided or otherwise made available by you to any other person or entity. The information provided in the Offer Materials is not an advertisement of the Exchange Bonds in the Russian Federation and is not intended to create or maintain an interest in the Dominican Republic, the Offer or the Exchange Bonds or to facilitate any sale, exchange or transfer of the Exchange Bonds in the Russian Federation or to any Russian person or entity.

The Exchange Bonds are securities of a foreign issuer under Russian law. No sale, exchange or transfer of the Exchange Bonds may take place in the Russian Federation or to any Russian person or entity. Neither the issue of the Exchange Bonds nor a securities prospectus in respect of the Exchange Bonds has been, or is intended to be, registered with the Federal Service for Financial Markets of the Russian Federation. The information provided in the Offer Materials is not an Offer, or an invitation to make offers, to sell, exchange or otherwise transfer the Exchange Bonds in the Russian Federation or to any Russian person or entity.

Switzerland

The Offer is made in Switzerland on the basis of a private placement, not as a public offering, and the Exchange Bonds will not be listed on SWX Swiss Exchange. The Offer does not, therefore, constitute a prospectus in the sense of article 652a or article 1156 of the Swiss Federal Code of Obligations.

Trinidad & Tobago

No restrictions apply to the Offer.

United Kingdom

The Offer Materials are only being distributed to and are only directed at persons who fall within one or more of the following categories:

- persons who are outside the United Kingdom;

- investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "Order");

- high net worth entities falling within Article 49(2)(a) to (d) of the Order; or

- other persons to whom it may lawfully be communicated (all such persons together being referred to as "relevant persons").

The Offer is only available to, and any offer or agreement to subscribe for, purchase or otherwise acquire the Exchange Bonds will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on the Offer Materials or any of their contents. Any holder of Existing Bonds who offers to exchange Existing Bonds in connection with the Offer will be deemed to represent that it is a relevant person.

Venezuela

The Exchange Bonds have not been registered in the *Comisión Nacional de Valores* of the Bolivarian Republic of Venezuela and may not be publicly offered in Venezuela.

OFFICIAL STATEMENTS

Information in this offering memorandum whose source is identified as a publication of the Republic or one of its agencies or instrumentalities relies on the authority of such publication as a public official document of the Republic.

VALIDITY OF THE BONDS

The validity of the Exchange Bonds will be passed upon for the Republic by Cleary Gottlieb Steen & Hamilton LLP, United States counsel to the Republic, and by the *Consultor Jurídico del Poder Ejecutivo* (Legal Counsel to the Executive Branch) of the Republic, and for the dealer managers by Simpson Thacher & Bartlett LLP, United States counsel to the dealer managers, and Pellerano & Herrera, Dominican counsel to the dealer managers.

As to all matters of Dominican law, Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of the *Consultor Jurídico del Poder Ejecutivo* (Legal Counsel to the Executive Branch) of the Republic, and Simpson Thacher & Bartlett LLP may rely upon the opinion of Pellerano & Herrera. As to all matters of United States law, the *Consultor Jurídico del Poder Ejecutivo* (Legal Counsel to the Executive Branch) of the Republic may rely on the opinion of Cleary Gottlieb Steen & Hamilton LLP, and Pellerano & Herrera may rely on the opinion of Simpson Thacher & Bartlett LLP.

GENERAL INFORMATION

Clearing

The Exchange Bonds have been accepted into DTC's book-entry settlement system. The Exchange Bonds also have been accepted for clearance through the Euroclear and Clearstream clearance systems. The relevant trading information is set forth in the following table.

Bonds Offered	CUSIP Number	ISIN Number	Common Code
New 2011 Bonds – Rule 144A	25714P AE 8	US25714PAE88	*
New 2011 Bonds – Regulation S	P3579E AC 1	USP3579EAC14	*
New 2018 Bonds – Rule 144A	25714P AF 5	US25714PAF53	*
New 2018 Bonds – Regulation S	P3579E AD 9	USP3579EAD96	*

* Not available as of the date of this offering memorandum

Where You Can Find More Information

As long as the Exchange Bonds are listed on the Luxembourg Stock Exchange, you may inspect or receive copies, free of charge, of the following documents on any business day at the offices of the paying agent in Luxembourg:

- the indenture incorporating the forms of the bonds;
- an English translation of *Ley de Bonos* (Bond Law) No. 118-05;
- the most recent annual economic report of the Republic (of which English translations are available);
- the letter of transmittal; and
- this offering memorandum.

The Republic

The creation and issuance of the Exchange Bonds were authorized pursuant to Bond Law No. 118-05, dated April 4, 2005.

Except as disclosed in this offering memorandum, since December 31, 2004, there has been no material adverse change in the revenues or expenditures, or financial position, of the Republic.

Luxembourg Stock Exchange

Any transaction in connection with the Exchange Bonds carried out at the Luxembourg Stock Exchange cannot be cancelled, pursuant to Article 3, point A/II/2 of chapter VI of the rules and regulations of the Luxembourg Stock Exchange.

APPENDIX

Dominican Republic: Global Public Sector External Debt
as of September 30, 2004
(in millions of US$)[1]

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
MULTILATERAL INSTITUTIONS					
INTERNATIONAL DEVELOPMENT ASSOCIATION					
International Development Association	Government	18-Feb-71	0.75 as commission	01-Oct-20	1.98
International Development Association	Central Bank	19-May-71	0.75 as commission	15-Nov-20	2.51
International Development Association	Government	17-Jan-73	0.75 as commission	15-Nov-22	7.22
Total International Development Association					11.71
EUROPEAN DEVELOPMENT BANK					
European Development Bank	Government	10-Dec-94	2.00000	30-Jun-14	11.74
European Development Bank	Government	26-May-00	1.00000	20-Apr-20	10.75
Total European Development Bank					22.49
INTER-AMERICAN DEVELOPMENT BANK					
Inter-American Development Bank	Government	24-Sep-81	2.00000	24-Sep-21	0.42
Inter-American Development Bank	CDEEE	06-Mar-72	0.50 as commission	06-Mar-22	2.59
Inter-American Development Bank	Government	18-Apr-78	0.50 as commission	18-Apr-28	1.00
Inter-American Development Bank	Government	11-Sep-79	7.90000	05-Jul-24	*
Inter-American Development Bank	Government	13-Jan-86	6.45870	24-Mar-06	4.42
Inter-American Development Bank	Central Bank	22-Jun-87	7.85147	06-Jul-07	22.29
Inter-American Development Bank	Central Bank	01-Dec-87	7.09797	24-Nov-07	13.85
Inter-American Development Bank	Government	26-Jan-73	1.25000	24-Jan-13	6.98
Inter-American Development Bank	Government	09-May-73	2.00000	08-May-13	0.46
Inter-American Development Bank	Government	30-Nov-73	2.00000	24-Nov-13	5.86
Inter-American Development Bank	Government	09-Aug-74	2.00000	09-Aug-14	5.52
Inter-American Development Bank	Government	25-Oct-74	2.00000	24-Oct-14	12.85

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
Inter-American Development Bank	Government	22-May-75	2.00000	20-May-15	12.68
Inter-American Development Bank	Government	14-Feb-84	8.23372	24-Nov-03	*
Inter-American Development Bank	Central Bank	05-Apr-76	2.00000	06-Apr-16	4.02
Inter-American Development Bank	PUCMM	06-Jan-77	2.00000	06-Jan-17	1.46
Inter-American Development Bank	Government	31-May-77	2.00000	24-May-17	8.81
Inter-American Development Bank	Government	02-Apr-79	2.00000	06-Apr-19	1.73
Inter-American Development Bank	Government	02-Apr-79	2.00000	06-Apr-19	29.36
Inter-American Development Bank	Government	13-Feb-90	6.46022	13-Feb-10	70.74
Inter-American Development Bank	Government	13-Feb-90	7.51940	06-Nov-09	15.05
Inter-American Development Bank	Government	07-Dec-79	2.00000	24-Nov-19	19.08
Inter-American Development Bank	Government	07-Dec-79	2.00000	24-Nov-19	19.60
Inter-American Development Bank	Central Bank	10-Jan-80	2.00000	06-Jan-21	3.97
Inter-American Development Bank	Government	26-Jan-81	2.00000	24-Jan-21	6.74
Inter-American Development Bank	Government	16-Mar-81	2.00000	16-Mar-21	14.94
Inter-American Development Bank	Government	13-May-81	2.00000	13-May-21	4.15
Inter-American Development Bank	Government	24-Sep-81	2.00000	24-Sep-21	3.43
Inter-American Development Bank	Government	23-Sep-82	2.00000	23-Sep-22	28.51
Inter-American Development Bank	Government	03-Mar-82	2.00000	06-Mar-22	12.58
Inter-American Development Bank	INTEC	03-Jun-82	2.00000	24-May-22	3.32
Inter-American Development Bank	Government	14-Feb-84	2.00000	14-Feb-24	1.27
Inter-American Development Bank	Central Bank	21-Nov-95	Variable (IDB)	21-Nov-15	81.55
Inter-American Development Bank	Government	20-Nov-94	Variable (IDB)	20-Nov-19	14.94
Inter-American Development Bank	FUNDAPEC	08-Feb-90	2.00000	08-Feb-30	16.89
Inter-American Development Bank	Government	13-Feb-90	2.00000	13-Feb-30	34.94
Inter-American Development Bank	Government	12-Dec-91	2.00000	12-Dec-31	26.90
Inter-American Development Bank	Government	08-Jan-93	2.00000	08-Jan-33	33.21
Inter-American Development Bank	Government	18-Nov-97	Variable (IDB)	13-Oct-26	50.88
Inter-American Development Bank	Government	01-Jun-94	2.00000	01-Jun-34	51.27
Inter-American Development Bank	Government	13-Nov-97	Variable (IDB)	30-Sep-21	38.08
Inter-American Development Bank	Government	20-Nov-94	2.00000	20-Nov-34	13.60
Inter-American Development Bank	Government	20-Feb-98	Variable (IDB)	20-Feb-23	46.40
Inter-American Development Bank	Government	20-Feb-98	Variable (IDB)	20-Feb-23	17.23
Inter-American Development Bank	Government	18-Jul-98	Variable (IDB)	18-Jul-23	7.50

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
Inter-American Development Bank	Government	03-Oct-98	Variable (IDB)	03-Oct-23	15.00
Inter-American Development Bank	Government	03-Oct-98	Variable (IDB)	03-Oct-23	8.04
Inter-American Development Bank	Government	02-Dec-98	Variable (IDB)	02-Dec-23	99.84
Inter-American Development Bank	Government	27-Apr-99	Variable (IDB)	27-Apr-19	2.41
Inter-American Development Bank	Government	05-Sep-99	Variable (IDB)	05-Sep-24	6.64
Inter-American Development Bank	Government	22-Sep-99	Variable (IDB)	22-Sep-19	0.71
Inter-American Development Bank	Government	10-Nov-00	Variable (IDB)	10-Nov-25	10.87
Inter-American Development Bank	Government	14-Feb-01	Variable (IDB)	14-Feb-26	12.04
Inter-American Development Bank	Government	02-Aug-01	Variable (IDB)	02-Aug-21	200.00
Inter-American Development Bank	Government	29-Apr-02	Variable (IDB)	29-Oct-27	1.35
Inter-American Development Bank	Government	23-Nov-02	Variable (IDB)	30-Jul-27	0.14
Inter-American Development Bank	Government	25-Mar-04	Variable (IDB)	24-Mar-28	0.01
Inter-American Development Bank	Government	23-Jan-04	Variable (IDB)	29-Jan-09	150.00
Inter-American Development Bank	Government	01-Mar-04	Variable (IDB)	23-Sep-23	40.37
Inter-American Development Bank	Central Bank	01-Jun-76	n.a.	19-Dec-78	4.06[(2)]
Inter-American Development Bank	Central Bank	12-Aug-94	n.a.	31-Jan-04	0.39[(2)]
Total Inter-American Development Bank					1,322.95
WORLD BANK					
World Bank	Central Bank	06-Nov-74	8.00000	01-Aug-04	0.01
World Bank	Government	17-Jul-75	8.50000	01-Apr-05	1.17
World Bank	Government	17-Jan-97	Fixed in-cash disbursement	15-Oct-13	70.62
World Bank	Government	09-Mar-98	LIBOR	15-Oct-14	25.88
World Bank	Government	09-Mar-98	LIBOR	15-Apr-15	2.53
World Bank	CDEEE	09-Jun-88	Variable (World Bank)	15-Aug-05	8.38
World Bank	Central Bank	04-Dec-89	Variable (World Bank)	15-Apr-09	11.58
World Bank	Government	02-Jun-92	LIBOR	15-Sep-11	0.81
World Bank	Government	02-Jun-92	Variable (World Bank)	15-Sep-11	45.83
World Bank	Government	13-Dec-91	Variable (World Bank)	15-Sep-11	8.78
World Bank	Government	14-Nov-95	LIBOR	15-May-15	11.46
World Bank	Government	14-Nov-95	Variable (World Bank)	01-May-15	0.29
World Bank	Government	31-Oct-96	LIBOR	15-Oct-15	29.99

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
World Bank	Government	31-Oct-96	Variable (World Bank)	15-Oct-15	0.51
World Bank	Government	11-Dec-98	Fixed in-cash disbursement	15-Apr-14	100.26
World Bank	Government	11-Aug-99	LIBOR	15-Mar-14	7.96
World Bank	Government	20-Apr-00	LIBOR	15-Apr-17	1.51
World Bank	Government	31-Oct-00	LIBOR	15-Oct-17	2.21
World Bank	Government	29-Jun-01	Fixed in-cash disbursement	15-Apr-18	6.28
World Bank	Government	16-Jul-98	LIBOR	01-May-07	0.69
World Bank	Government	03-Jul-99	LIBOR	01-May-07	1.33
World Bank	Government	06-Dec-02	LIBOR	15-Apr-19	0.92
World Bank	Government	13-Feb-04	Variable (World Bank)	15-Oct-20	50.00
Total World Bank					388.99
INTERNATIONAL INVESTMENT CORPORATION					
International Investment Corporation	Central Bank	14-Dec-99	n.a.	31-Oct-07	1.62
Total International Investment Corporation					1.62
INTERNATIONAL AGRICULTURE DEVELOPMENT FUND					
International Agriculture Development Fund	Government	23-May-89	4.00000	15-Jan-08	1.76
International Agriculture Development Fund	Government	12-Dec-95	4.00000	15-Jan-14	3.92
International Agriculture Development Fund	Government	19-Jan-99	Variable (IADF)	15-Jan-19	7.37
Total International Agriculture Development Fund					13.05
INTERNATIONAL MONETARY FUND					
International Monetary Fund	Central Bank	22-Oct-98	Variable (IMF)	02-Nov-03	0.00
International Monetary Fund	Central Bank	27-Aug-03	Variable (IMF)	02-Aug-10	192.94
Total International Monetary Fund					192.94
MULTILATERAL INVESTMENT FUND					
Multilateral Investment Fund	Central Bank	30-Jul-02	n.a.	n.a.	0.60
Total Multilateral Investment Fund					0.60

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
NORDIC DEVELOPMENT FUND					
Nordic Development Fund	Government	28-Sep-93	0.50 as commission	15-Jun-33	7.32
Total Nordic Development Fund					7.32
ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES (OPEC)					
Organization of Petroleum Exporting Countries	Government	09-Dec-96	3.50000	09-Jun-06	2.86
Total Organization of Petroleum Exporting Countries					2.86
TOTAL MULTILATERAL INSTITUTIONS					1,964.53
FOREIGN GOVERMENTS					
AB SVENSK EXPORTKREDIT	Government	16-Oct-00	0.00000	01-Mar-12	3.26
ABN AMRO Bank, N.V.	Government	02-Jun-99	5.91000	23-Jul-10	7.18
ABN AMRO Bank, N.V.	CDEEE	31-Jan-01	7.25000	24-Dec-10	3.42
ABN AMRO Bank, N.V.	Government	20-Feb-01	5.39000	06-Jul-12	6.98
ABN AMRO Bank, N.V.	Government	22-Dec-00	LIBOR + 0.50	01-Jul-13	17.37
ABN AMRO Bank, N.V.	Government	01-Nov-02	LIBOR + 0.60	02-May-15	19.38
ABN AMRO Bank, N.V.	Government	27-Oct-00	LIBOR + 0.20	22-Oct-14	51.68
ABN AMRO Bank, N.V.	Government	30-Apr-02	LIBOR + 0.50	n.a.	*
AKA Ausfunhrkredit -Gesellschaft	Government	10-May-02	5.14000	30-Dec-07	10.46
AKA Ausfunhrkredit -Gesellschaft	Government	10-May-02	5.14000	30-Dec-07	0.54
AKA Ausfunhrkredit -Gesellschaft	Government	10-Oct-03	CIRR	22-Aug-17	0.42
Banca Populare Di Varona	INDRHI	17-Sep-98	6.27000	17-Mar-10	1.67
Banco Bilbao Vizcaya Argentaria (previously Bco. Bilbao Vizcaya)	Government	21-Aug-99	5.57000	15-Aug-05	0.11
Banco Bilbao Vizcaya Argentaria	CDEEE	10-Mar-00	7.58000	28-Aug-09	8.32
Banco Bilbao Vizcaya Argentaria	Government	21-Mar-00	5.42000	15-Nov-06	3.00
Banco Bilbao Vizcaya Argentaria	Government	27-Sep-03	CIRR + 0.70	30-Sep-13	11.01
Banco Bilbao Vizcaya Argentaria (previously RIOGERSA, S.A.)	Government	15-Dec-03	0.00000	09-Dec-04	9.59
Banco Bilbao Vizcaya Argentaria (previously RIOGERSA, S.A.)	Government	15-Jul-04	0.00000	04-Jul-05	3.81
Banco Bilbao Vizcaya Argentaria (a. ARGENTARIA)	Government	19-Oct-99	6.77000	15-May-06	3.22
Banco Bilbao Vizcaya Argentaria (a. ARGENTARIA)	Government	27-Sep-99	6.44000	15-Aug-07	7.71
Banco Bilbao Vizcaya Argentaria (a. ARGENTARIA)	Government	23-Oct-99	6.74000	15-May-09	5.42

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
Banco Bilbao Vizcaya Argentaria (a. ARGENTARIA)	Government	19-Oct-99	6.75000	15-Nov-05	0.54
Banco Bilbao Vizcaya Argentaria (a. ARGENTARIA)	Government	27-Oct-99	6.80000	15-Nov-07	6.22
Banco Bilbao Vizcaya Argentaria (a. ARGENTARIA)	Government	03-Jan-00	6.75000	15-May-06	0.20
Banco Bilbao Vizcaya Argentaria (a. ARGENTARIA)	Government	12-Oct-99	6.77000	15-Nov-05	2.05
Banco Bilbao Vizcaya Argentaria (a. ARGENTARIA)	Government	19-Oct-99	6.77000	15-Aug-05	1.59
Banco Bilbao Vizcaya Argentaria (a. ARGENTARIA)	Government	27-Oct-99	6.62000	15-Aug-05	0.96
Banco Bilbao Vizcaya Argentaria (a. ARGENTARIA)	Government	07-Jan-00	6.92000	15-Nov-05	1.80
Banco Bilbao Vizcaya Argentaria (a. ARGENTARIA)	Government	04-Jan-00	6.94000	15-Feb-06	1.27
Banco Bilbao Vizcaya Argentaria (a. ARGENTARIA)	Government	06-Jan-00	6.92000	15-May-05	2.66
Banco Bilbao Vizcaya Argentaria (a. Bco. Ext. de España)	CDEEE	03-Jun-77	7.50000	25-Mar-97	0.55(3)
Banco Bilbao Vizcaya Argentaria (a. Bco. Ext. de España)	CDEEE	30-Jul-80	8.00000	25-Mar-97	0.01
Banco Bilbao Vizcaya Argentaria (a. Bco. Ext. de España)	CDEEE	07-Feb-84	10.70000	25-Mar-97	0.03
Banco Bilbao Vizcaya Argentaria (a. Bco. Ext. de España)	Government	05-Mar-98	6.74000	15-May-04	*
Banco Bilbao Vizcaya Argentaria (a. Bco. Ext. de España)	Government	05-Mar-98	6.74000	15-May-04	*
Banco Bilbao Vizcaya Argentaria (a. Bco. Ext. de España)	Government	05-Mar-98	6.77000	15-May-06	1.94
Banco Bilbao Vizcaya Argentaria (a. Bco. Ext. de España)	Government	05-Mar-98	6.74000	15-May-04	*
Banco Bradesco	Government	17-Mar-99	Fixed per disbursement	23-Dec-07	2.25
Banco de Desarrollo y Social de Venezuela (previously FIV)	Government	18-Dec-84	2, 6 and Variable (IDB)	30-Jun-04	3.37
Banco de Desarrollo y Social de Venezuela (previously FIV)	Government	29-Jan-93	6 and Variable (IDB)	30-Jun-05	2.79
Banco de Desarrollo y Social de Venezuela (previously FIV)	Government	25-Mar-94	6.00000	30-Dec-04	2.61
Banco de Desarrollo y Social de Venezuela (previously FIV)	Government	24-Apr-95	10.50000	30-Jun-05	*
Banco de Desarrollo y Social de Venezuela (previously FIV)	Government	24-Apr-95	2, 6 and Variable (IDB)	30-Jun-04	0.12
Banco de Desarrollo y Social de Venezuela (previously FIV)	Government	25-Mar-99	Variable (IDB)	30-Dec-10	12.71
Banco de Desarrollo y Social de Venezuela (previously FIV)	Government	07-Jan-00	Variable (IDB)	30-Dec-04	*
Banco de Desarrollo y Social de Venezuela (previously FIV)	Government	27-Apr-00	Variable (IDB)	30-Dec-06	4.63
Banco de Desarrollo y Social de Venezuela (previously FIV)	Government	15-Aug-00	Variable (IDB)	30-Dec-13	27.00
Banco de Desarrollo y Social de Venezuela (previously FIV)	Government	20-May-04	Variable (IDB)	30-Dec-08	0.15
Banco de España	Government	23-Jun-92	3.00000	30-Jun-12	14.19
Banco de Sabadell	Government	24-Jul-98	6.52000	15-Aug-05	0.29
Banco de Sabadell	Government	24-Jul-98	6.94000	15-Aug-05	2.04
Banco Español de Crédito, S. A.	Government	10-Oct-97	7.24000	15-Apr-04	*
Banco Español de Crédito, S. A.	Government	10-Oct-97	7.24000	15-Apr-04	*
Banco Español de Crédito, S. A.	Government	07-Apr-98	6.74000	13-Apr-04	*

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
Banco Español de Crédito, S. A.	Government	27-Nov-98	5.61000	01-Sep-05	3.34
Banco Español de Crédito, S. A.	Government	27-Nov-98	5.90000	14-Sep-05	1.83
Banco Español de Crédito, S. A.	Government	27-Nov-98	5.90000	24-Oct-05	1.87
Banco Español de Crédito, S. A.	Government	27-Nov-98	5.61000	06-Jul-05	1.71
Banco Español de Crédito, S. A.	Government	27-Nov-98	5.61000	09-May-05	2.33
Banco Español de Crédito, S. A.	Government	27-Nov-98	6.03000	12-Dec-05	1.08
Banco Español de Crédito, S. A.	Government	25-May-99	6.77000	23-May-05	1.04
Banco Español de Crédito, S. A.	Government	05-Nov-99	7.43000	24-Oct-05	1.58
Banco Español de Crédito, S. A.	Government	05-Jan-00	7.58000	28-Jul-08	11.37
Banco Español de Crédito, S. A.	Government	10-Feb-00	6.75000	19-Apr-07	3.02
Banco Español de Crédito, S. A.	Government	30-Nov-01	5.42000	31-Jan-08	6.40
Banco Nacional de Desenvolvimiento Económico y Social	Government	07-Oct-99	LIBOR + 1.00	18-Dec-14	106.98
Banco Nacional de Desenvolvimiento Económico y Social	Government	07-Sep-98	5.37500	16-Feb-06	6.82
Banco Nacional de Desenvolvimiento Económico y Social	Government	01-Oct-97	Fixed per disbursement	03-Jul-11	8.85
Banco Nacional de Desenvolvimiento Económico y Social	Government	06-Jun-02	LIBOR + 2.9	21-Jul-10	7.48
Banco Nacional de Desenvolvimiento Económico y Social	Government	11-Dec-03	Fixed per disbursement	03-Mar-16	0.26
Banco Nacional de Desenvolvimiento Económico y Social	Government	08-Oct-03	LIBOR + 2.00	22-Jan-13	0.12
Banco Santander Central Hispano	Government	22-May-00	7.03000	15-Aug-08	6.75
Banco Santander Central Hispano	Government	13-Jun-00	7.26000	03-Oct-11	26.48
Banco Santander Central Hispano (previously BCH)	CDEEE	03-Jul-96	7.07000	19-Feb-08	3.42
Banco Santander Central Hispano (previously Bco. Santander)	CDEEE	06-Jun-95	8.37000	12-Apr-05	0.71
Banco Santander Central Hispano (previously Bco. Santander)	CDEEE	03-Jul-96	7.30000	01-Mar-06	2.67
Banco Santander Central Hispano (previously Bco. Santander)	CDEEE	14-Mar-97	7.07000	19-Jun-07	2.37
Banco Santander Central Hispano (previously Bco. Santander)	CDEEE	08-May-97	7.11000	12-Oct-06	2.82
Banco Santander Central Hispano (previously Bco. Santander)	CDEEE	26-Mar-99	5.91000	31-Jul-08	6.01
Banco de Comercio Exterior de Colombia, S.A.	Government	14-Jun-00	LIBOR + 3.00	15-May-07	22.50
Banco Nacional de Comercio Exterior de Mexico	Government	23-Nov-00	8.62900	04-Oct-14	5.10
Bank Leumi Le Israel	Government	28-Aug-03	LIBOR + 1.75	28-Jan-09	0.33
Bank of America	Government	17-Aug-01	LIBOR + 0.30	25-Apr-13	5.32
Bank of America	Government	17-Aug-01	LIBOR + 0.30	25-Apr-13	1.41
Bank of France	Government	26-Jun-92	2.90000	30-Jun-12	2.75
Bank of France	Government	26-Jun-92	2.90000	30-Jun-12	0.19
Bank of France	Government	26-Jun-92	9.00000	30-Jun-07	1.27

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
Banque National DE Belique	Government	15-Apr-91	0.00000	31-Dec-20	1.15
Bayerische Hypo-und Vereinsbank AG	CDEEE	15-Feb-01	LIBOR + 0.75	30-Jun-09	6.38
Bayerische Hypo-und Vereinsbank AG	CDEEE	15-Feb-01	LIBOR + 0.75	30-Jun-09	0.51
BNP Paribas	Government	08-Jan-02	LIBOR + 3.50	18-Oct-12	12.78
BNP Paribas (previously Bank Leumi Le-Israrel B.M.)	Government	12-Feb-02	LIBOR + 1.30	25-Jun-13	0.78
BNP Paribas (previously Bank Leumi Le-Israrel B.M.)	Government	12-Feb-02	LIBOR + 1.30	29-Oct-13	1.49
Caterpillar Financial Services Corporation	Government	18-Sep-01	LIBOR + 1.10	20-Sep-10	23.40
Central Bank of Mexico	Central Bank	02-May-68	LIBOR 3m + 1.00	n.a.	*
Central Bank of Peru	Central Bank	31-Mar-93	3.00000	16-Dec-12	5.33
Central Bank of Brazil	Central Bank	15-Aug-74	LIBOR 3m + 1.00	n.a.	0.35
Central Bank of Chile	Central Bank	02-May-68	n.a.	n.a.	0.03
Central Bank of Colombia	Central Bank	02-May-68	LIBOR 3m + 1.00	n.a.	0.10
Citibank, N.A.	Government	25-May-01	6.84000	25-May-13	21.36
Citibank, N.A., Madrid	Government	26-Mar-99	5.60000	22-Nov-07	8.16
Commodity Credit Corporation	Government	11-Dec-82	4.00000	25-Sep-03	*
Commodity Credit Corporation	Government	13-Jan-84	4.00000	03-Dec-04	3.91
Commodity Credit Corporation	Government	15-May-85	4.00000	16-Oct-05	5.03
Commodity Credit Corporation	Government	18-Aug-86	4.00000	02-Feb-07	6.00
Commodity Credit Corporation	Government	24-Aug-89	4.00000	29-Oct-09	7.99
Commodity Credit Corporation	Government	30-Oct-92	3.50000	30-Jun-12	64.00
Commodity Credit Corporation -Guarantees	Government	30-Oct-92	7.25000	30-Jun-07	118.80
Commodity Credit Corporation -Guarantees	Government	30-Oct-92	7.25000	31-Mar-01	0.06
Compañia Española de Seguros y Crédito a la Exportación	Government	24-Jun-92	7.25000	30-Jun-07	110.62
Compañia Española de Seguros y Crédito a la Exportación	Government	24-Jun-92	10.00000	30-Jun-07	3.05
Department of Defense	Government	30-Oct-92	7.53200	02-Jul-07	4.11
Deutsche Bank, S.N.	Government	10-Oct-03	CIRR	22-Aug-17	0.23
Deutsche Bank, S.N.	Government	17-Aug-98	7.65000	15-Aug-07	7.11
Deutsche Bank, S.N.	Government	13-Dec-99	7.65000	16-May-06	1.95
Deutsche Bank, S.N.	Government	02-Feb-00	7.43000	16-Feb-06	2.19
Deutsche Bank, S.N.	Government	28-Feb-01	5.49000	14-Oct-13	25.69
Deutsche Bank, S.N.	Government	28-Feb-01	OCDE	31-Jan-12	0.04
Deutsche Bank, S.N.	Government	28-Feb-01	4.97000	05-Mar-10	10.03
Deutsche Bank, S.N.	Government	28-Feb-01	5.14000	16-May-08	5.76

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
Deutsche Bank, S.N.	Government	10-Oct-03	CIRR	30-Sep-17	0.24
Mellon Bank, N.A,	Government	20-Oct-03	LIBOR + 0.65	15-Jul-15	*
Deutsche Bank, S.N. (previously Mellon Bank, N.A.)	Government	20-Oct-03	LIBOR + 0.65	15-Jul-15	6.12
Eksportifinans, ASA	Government	23-Jan-02	LIBOR + 0.15	30-Nov-17	0.69
Eksportifinans, ASA	Government	23-Jan-02	LIBOR + 3.75	30-Nov-09	0.65
Empresa Nacional de Aeronáutica de Chile	Government	20-Nov-98	12.00000	20-Jul-00	1.14(3)
Export Development Corporation	Government	01-Nov-02	LIBOR + 1.00	15-Nov-14	50.63
Export Development Corporation (previously Fortis Bank, N.V.)	Government	01-Nov-02	LIBOR + 3.50	15-Nov-07	1.11
Export Development Corporation (previously Fortis Bank, N.V.)	Government	01-Nov-02	LIBOR + 1.00	15-Nov-14	0.08
Export-Import Bank of Korea	Government	27-Dec-01	4.56000	28-Oct-07	14.31
Export-Import Bank of China	Government	21-Dec-98	4.50000	30-Dec-13	7.92
Export-Import Bank of the United States	Government	30-Oct-92	Variable (EXIM)	02-Jul-07	68.25
Fondo Internacional para la Cooperación y el Desarrollo	Government	15-Jun-01	3.50000	15-May-26	1.96
Fortis Bank, N.V.	Government	13-Jul-01	LIBOR + 1.00	15-Sep-12	18.71
Fortis Bank, N.V.	Government	13-Dec-01	5.31000	28-May-14	45.40
Fortis Bank, N.V.	Government	13-Jul-01	LIBOR + 1.00	25-Feb-13	3.07
French Development Agency	Government	23-Jun-97	3.00000	30-Apr-17	2.12
French Development Agency	Government	13-Apr-00	2.25000	30-Apr-25	3.00
French Development Agency	Government	13-Apr-00	2.25000	31-Oct-19	0.08
French Development Agency	Government	27-Aug-01	2.50000	31-Oct-18	1.39
French Foreign Trade Insurance Company	Government	26-Jun-92	9.00000	30-Jun-07	7.03
French Foreign Trade Insurance Company	Government	26-Jun-92	4.80000	30-Jun-07	0.40
General Electric Capital Corporation	Government	15-Apr-02	LIBOR + 1.60	20-Jul-13	24.46
Hermes Kreditversicherungs-AG	Government	02-Dec-92	8.20000	30-Jun-07	0.92
Hermes Kreditversicherungs-AG	Government	02-Dec-92	8.20000	30-Jun-07	12.23
HSBC Bank, PLC	Government	13-Jan-03	LIBOR + 0.50	15-May-15	1.94
HSBC Bank, PLC	Government	06-Mar-03	LIBOR + 0.50	15-Nov-14	41.58
HSBC Bank, PLC	Government	18-Mar-03	LIBOR + 0.50	15-May-15	41.95
HSBC Bank, PLC	Government	01-Oct-03	LIBOR + 0.75	15-Jun-15	0.74
HSBC Bank, PLC	Government	28-Aug-03	LIBOR + 0.75	15-Dec-12	0.38
ING Bank, N.V.	Government	27-Dec-01	4.45000	28-Oct-07	10.02
International Development Agency	Government	25-May-66	2.50000	10-Jun-06	1.01
International Development Agency	Government	30-Jun-66	2.50000	12-Aug-06	1.27

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
International Development Agency	Government	30-Jun-66	2.50000	12-Feb-07	2.54
International Development Agency	Government	01-Apr-68	2.50000	03-Jun-08	3.59
International Development Agency	Government	30-Sep-82	3.00000	18-Oct-07	14.33
International Development Agency	Government	30-Sep-83	3.00000	29-Nov-08	3.37
International Development Agency	Government	02-May-84	3.00000	30-Aug-09	15.54
International Development Agency	Government	02-Jan-63	0.75000	22-Aug-03	*
International Development Agency	Government	30-Nov-64	2.50000	23-Mar-06	0.12
International Development Agency	Government	16-Feb-65	2.50000	19-Sep-06	0.10
International Development Agency	Central Bank	04-Dec-65	2.50000	23-Nov-06	0.49
International Development Agency	Government	29-Mar-66	2.50000	17-Aug-06	0.50
International Development Agency	Government	05-Oct-66	2.50000	28-Feb-07	1.12
International Development Agency	Government	26-Apr-67	2.50000	07-Jul-07	1.60
International Development Agency	Government	10-Jan-68	2.50000	08-Nov-08	0.38
International Development Agency	Government	10-Jan-68	2.50000	14-May-08	0.32
International Development Agency	Government	28-May-68	2.50000	02-Jan-09	0.92
International Development Agency	Government	28-Mar-69	2.50000	25-Jun-10	0.82
International Development Agency	Government	15-Apr-69	2.50000	27-Jan-10	2.02
International Development Agency	Central Bank	25-Nov-69	3.00000	29-Dec-10	2.51
International Development Agency	Government	12-Feb-71	3.00000	11-May-11	0.64
International Development Agency	Government	07-Nov-72	3.00000	01-May-13	1.98
International Development Agency	Government	14-Jun-67	2.50000	06-Nov-07	0.76
International Development Agency	Government	16-Oct-74	3.00000	05-Feb-15	5.93
International Development Agency	Government	30-Sep-76	3.00000	11-Mar-17	8.51
International Development Agency	Government	14-Dec-78	3.00000	15-May-04	0.49
International Development Agency	Government	28-Sep-79	3.00000	15-May-05	0.34
International Development Agency	Government	28-Sep-79	3.00000	13-Aug-05	0.20
International Development Agency	Government	03-Jan-80	3.00000	18-Jul-05	1.07
International Development Agency	Government	03-Jan-80	3.00000	19-May-05	1.94
International Development Agency	Government	31-Aug-81	3.00000	09-Nov-07	2.52
International Development Agency	Government	22-Apr-82	3.00000	13-Dec-08	2.05
International Development Agency	Central Bank	30-Sep-82	3.00000	04-Aug-08	0.69
International Development Agency	Central Bank	29-Mar-83	3.00000	01-May-11	0.83
International Development Agency	Government	30-Jun-83	3.00000	17-Oct-09	4.92

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
International Development Agency	Government	30-Jun-83	3.00000	12-Dec-09	1.68
International Development Agency	Government	30-Jun-83	3.00000	24-Apr-09	1.16
International Development Agency	Government	30-Dec-83	3.00000	22-Jul-09	3.55
International Development Agency	Government	21-May-84	3.00000	26-Jul-09	0.92
International Development Agency	Government	20-Dec-84	3.00000	03-Jul-09	0.18
International Development Agency	Central Bank	23-Aug-85	3.00000	25-Aug-11	2.15
International Development Agency	Central Bank	23-Aug-85	3.00000	25-Aug-11	3.05
International Development Agency	Central Bank	23-Aug-85	3.00000	14-Nov-11	2.67
International Development Agency	Government	15-Sep-87	5.00000	19-May-14	1.95
International Development Agency	Government	15-Sep-87	5.00000	07-Dec-14	3.12
International Development Agency	Government	01-Oct-75	3.00000	15-Apr-16	2.66
International Development Agency	Government	23-Nov-78	3.00000	20-May-05	1.23
International Development Agency	Government	28-Dec-78	3.00000	12-Dec-04	0.91
International Development Agency	Government	22-Sep-81	3.00000	05-Nov-07	1.48
International Development Agency	Government	30-Jun-83	3.00000	25-Aug-13	0.99
International Development Agency	Government	22-Apr-82	3.00000	06-Feb-09	0.83
International Development Agency	Central Bank	30-Sep-82	3.00000	03-Jun-13	1.02
International Development Agency	Central Bank	23-Aug-85	3.00000	01-Jan-12	0.26
International Development Agency	Central Bank	23-Aug-85	3.00000	27-Oct-11	0.60
International Development Agency	Government	03-Mar-86	5.00000	20-Jan-14	1.43
IDA Guarantees - Federal Home Loan Bank	BNV	15-Apr-73	8.00000	01-Jul-96	1.22(4)
International Development Agency	Government	22-Nov-91	2.83000	30-Jun-12	38.99
International Development Agency	Government	22-Nov-91	2.83000	31-Mar-01	*
International Development Agency	Government	22-Nov-91	7.90000	30-Jun-07	3.73(4)
International Development Agency	Government	22-Nov-91	7.90000	31-Mar-01	*
International Development Agency	Government	14-Apr-70	2.50000	14-Apr-90	0.37
Japanese International Cooperation Bank	Government	13-Jun-80	4.25000	20-Jun-05	3.48
Japanese International Cooperation Bank	Government	05-Nov-83	4.25000	20-May-08	22.17
Japanese International Cooperation Bank	Government	31-Mar-94	3.00000	20-Mar-24	78.24
Japanese International Cooperation Bank	Government	12-Sep-95	4.30000	30-Jun-12	47.31
Kookmin Bank	Government	23-Jan-03	CIRR	15-May-08	11.88
Kredit Fur Wiederaufbau	Central Bank	06-Dec-82	2.00000	31-Dec-05	0.48
Kredit Fur Wiederaufbau	Banco de	30-Jul-02	LIBOR + 2.40	30-Jun-07	20.01

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
	Reservas				
Kredit Fur Wiederaufbau	Government	25-Sep-02	4.50 and 2.00	30-Dec-32	1.32
Kredit Fur Wiederaufbau	CDEEE	14-Mar-96	6.03000	30-Nov-04	0.41
Kredit Fur Wiederaufbau	CDEEE	11-Jun-96	LIBOR + 0.875	26-Oct-03	*
Kredit Fur Wiederaufbau	CDEEE	14-Jun-96	LIBOR + 0.875	26-May-07	1.12
Kredit Fur Wiederaufbau	CDEEE	14-Jun-96	LIBOR + 0.875	16-May-07	2.14
Kredit Fur Wiederaufbau	CDEEE	14-Jun-96	LIBOR + 0.875	16-May-07	2.48
Kredit Fur Wiederaufbau	Government	07-Dec-79	2.00000	31-Dec-09	3.16
Kredit Fur Wiederaufbau	Government	07-Dec-79	2.00000	31-Dec-09	1.05
Kredit Fur Wiederaufbau	Government	30-Jun-86	4.50000	30-Jun-06	2.36
Kredit Fur Wiederaufbau	Government	30-Jun-86	4.50000	30-Jun-06	9.23
Kredit Fur Wiederaufbau	Government	28-Dec-96	2.00000	30-Dec-26	9.48
Kredit Fur Wiederaufbau	Government	02-Dec-92	3.75000	30-Jun-12	1.16
Kredit Fur Wiederaufbau	Government	02-Dec-92	3.50000	30-Jun-12	13.15
Kredit Fur Wiederaufbau	CDEEE	24-Mar-99	LIBOR + 0.875	30-Jun-09	8.69
Kredit Fur Wiederaufbau	CDEEE	24-Mar-99	LIBOR + 0.875	30-Jun-09	1.58
Manufacturers and Traders Trust Co. (previously All First Bank)	Government	01-Aug-02	LIBOR + 0.875	25-Sep-11	54.74
Mediocredito Centrale	Government	24-May-89	1.50000	25-Sep-09	24.17
Mediocredito Centrale	Government	24-Jun-92	1.50000	14-Jan-11	3.55
Mediocredito Centrale	Government	23-Apr-91	1.50000	17-May-11	2.79
Mellon Bank, N.A,	Government	20-Oct-03	LIBOR + 0.65	15-Jul-15	1.56
Ministry of Economy, Commerce and Industry, Gov. of Japan	Government	10-Feb-93	8.50000	30-Jun-07	37.64
Natexis Banque Populaires (previously Credit National)	Government	05-Nov-82	3.00000	30-Sep-03	*
Natexis Banque Populaires (previously Credit National)	Government	09-May-84	2.00000	30-Jun-16	2.98
Natexis Banque Populaires (previously Credit National)	CDEEE	21-Mar-84	10.70000	31-Jan-05	2.80
Natexis Banque Populaires (previously Credit National)	Government	13-May-96	3.60000	31-Dec-18	5.27
Natexis Banque Populaires (previously Credit National)	CDEEE	28-Feb-91	10.55000	31-Jan-05	0.82
Official Credit Institute	Government	23-Jun-92	3.00000	30-Jun-12	9.80
Official Credit Institute	Government	21-Oct-03	2.00000	06-Nov-19	11.72
Official Credit Institute	Government	10-Jul-95	3.00000	08-Aug-25	5.73
Official Credit Institute	Government	22-Feb-96	3.00000	11-Mar-26	6.30
Official Credit Institute	Government	02-Feb-98	1.00000	04-Feb-28	5.10
Official Credit Institute	Government	02-Feb-98	1.00000	04-Feb-28	5.52

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
Official Credit Institute	Government	17-Aug-98	1.00000	31-Aug-28	3.22
Official Credit Institute	Government	10-Dec-98	1.00000	14-Dec-28	3.89
Official Credit Institute	Government	10-Dec-98	4.75000	14-Dec-28	2.80
Official Credit Institute	Government	10-Dec-98	1.00000	14-Dec-28	2.37
Official Credit Institute	Government	17-Aug-98	0.00000	01-Mar-30	22.56
Official Credit Institute	Government	01-Mar-99	1.00000	20-May-29	10.79
Official Credit Institute	Government	29-Mar-99	3.00000	24-May-14	1.27
Official Credit Institute	Government	05-Mar-00	3.70000	24-Aug-30	2.14
Official Credit Institute	Government	11-Jun-01	1.00000	15-Jan-32	3.70
Official Credit Institute	Government	02-Jan-02	2.60000	10-Jan-18	11.31
Private Export Funding Corporation	Government	22-Feb-02	LIBOR + 1.00	n.a.	*
Private Export Funding Corporation (previously Deere Credit, INC)	Government	23-Apr-01	Fixed per disbursement	15-Jun-07	14.14
Private Export Funding Corporation (previously The International of Miami)	Government	20-Mar-02	LIBOR + 1.75	15-Feb-11	14.04
Sanpaolo Bank Ireland Plc.	Government	13-Aug-99	LIBOR	31-Mar-08	8.60
Societe Generale	CDEEE	30-Nov-00	7.18000	19-Jan-12	5.07
Societe Generale	Government	10-Dec-03	LIBOR + 1.00	30-Jun-14	1.85
Societe Generale	Government	10-Dec-03	LIBOR + 1.00	30-Dec-16	0.16
Special Industry of Industrial Financing	Government	11-Apr-02	6.33750	06-Nov-09	6.73
Special Industry of Industrial Financing	Government	11-Apr-02	6.58750	03-Dec-09	5.37
Special Industry of Industrial Financing	Government	11-Apr-02	6.33750	06-Nov-09	9.02
Special Industry of Industrial Financing	Government	06-May-02	6.33750	06-Nov-09	6.11
Special Industry of Industrial Financing	Government	16-May-02	6.58750	03-Dec-09	5.49
Special Industry of Industrial Financing	Government	26-Oct-99	8.56250	04-Sep-08	7.05
Sun Trust Bank	Government	24-Nov-00	LIBOR + 0.75	25-Jan-09	7.48
Sun Trust Bank	Government	06-Feb-03	LIBOR + 0.50	15-Aug-14	42.41
Sun Trust Bank (previously MD International, INC)	Government	30-Mar-01	LIBOR + 1.00	05-Mar-10	5.44
Sun Trust Bank (previously Sun Land & RGITC CO)	Government	07-Dec-01	LIBOR + 0.50	15-Jun-15	*
Swiss Bank Union (previously Swiss Bank)	INDRHI	13-Oct-97	LIBOR + 1.125	04-Sep-09	3.86
The International Bank of Miami	Government	01-Aug-02	LIBOR + 1.75	15-Dec-04	43.49
The International Bank of Miami	Government	31-Jul-02	LIBOR + 2.75	20-Sep-10	*
The International Commercial Bank of China	Government	29-Sep-99	3.50000	15-May-11	1.50
Unidad Corporativa Minera	Government	n.a.	n.a.	n.a.	*
Union Planters Bank, N.A.	Government	25-Feb-02	LIBOR + 0.75	15-Dec-10	20.38

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
TOTAL FOREIGN GOVEMMENTS					2,204.86
COMMERCIAL BANKS					
ABN AMRO Bank, N.V.	Government	02-Jun-99	LIBOR + 2.00	01-Jun-04	*
ABN AMRO Bank, N.V.	Government	20-Feb-01	LIBOR + 2.00	01-Dec-04	0.25
ABN AMRO Bank, N.V.	Government	27-Oct-00	LIBOR + 3.75	27-Oct-05	4.29
ABN AMRO Bank, N.V.	Government	22-Dec-00	LIBOR + 3.75	22-Dec-05	3.19
ABN AMRO Bank, N.V.	Government	28-Dec-01	LIBOR + 3.75	28-Dec-06	27.23
ABN AMRO Bank, N.V.	Government	01-Nov-02	LIBOR + 3.75	03-Nov-05	5.06
ABN AMRO Bank, N.V.	Government	19-Dec-03	LIBOR + 3.75	19-Dec-06	30.39
AKA Ausfunhrkredit -Gesellschaft	Government	10-May-02	CIRR	25-Oct-04	0.60
AKA Ausfunhrkredit -Gesellschaft	Government	27-Sep-02	EURIBOR + 0.65	31-Mar-06	6.23
The International Bank of Miami (previously CARIMEX)	Government	21-Jul-02	LIBOR + 1.75	31-Jul-05	1.40
American Express Bank (previously TIBOM, previously Carimex, INC)	Government	21-Jul-02	LIBOR + 1.75	31-Jul-05	2.53
The International Bank of Miami (previously CARIMEX)	Government	01-Oct-02	LIBOR + 1.75	31-Oct-04	0.75
American Express Bank (previously TIBOM, previously Carimex, INC)	Government	01-Oct-02	LIBOR + 1.75	31-Oct-04	0.19
Banco Atlántico of New York	Central Bank	11-Dec-86	LIBOR + 0.50	n.a.	*
Banca March, S.A.	Government	12-Jan-82	11.00000	22-Feb-88	1.17(5)
Banco Bilbao Vizcaya Argentaria	CDEEE	10-Mar-00	LIBOR + 3.00	30-Aug-04	0.10
Banco Bilbao Vizcaya Argentaria	Government	21-Mar-00	LIBOR + 3.50	13-Nov-03	*
Banco Bilbao Vizcaya Argentaria	Government	04-Jul-00	7.28000	15-Aug-06	0.96
Banco Bilbao Vizcaya Argentaria	Government	25-Oct-00	7.17000	15-Aug-06	6.84
Banco Bilbao Vizcaya Argentaria	Government	08-Oct-00	7.28000	15-Aug-06	6.50
Banco Bilbao Vizcaya Argentaria	Government	07-Nov-00	6.85000	15-Aug-07	10.09
Banco Bilbao Vizcaya Argentaria	Government	26-Jan-01	6.26000	15-Feb-07	3.40
Banco Bilbao Vizcaya Argentaria	Government	27-Apr-01	5.71000	15-Feb-07	5.50
Banco Bilbao Vizcaya Argentaria	Government	27-Apr-01	5.43000	15-May-07	14.38
Banco Bilbao Vizcaya Argentaria	Government	27-Apr-01	5.43000	15-May-07	9.28
Banco Bilbao Vizcaya Argentaria	Government	27-Apr-01	LIBOR + 3.50	05-Dec-03	9.28
Banco Bilbao Vizcaya Argentaria	Government	06-May-02	5.14000	15-May-08	5.74
Banco Bilbao Vizcaya Argentaria	Government	06-May-02	LIBOR + 3.50	15-Apr-05	0.62
Banco Bilbao Vizcaya Argentaria	Government	06-Aug-02	4.22000	14-Nov-08	12.16

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
Banco Bilbao Vizcaya Argentaria	Government	06-Aug-02	LIBOR + 3.50	29-Jan-05	1.33
Banco Bilbao Vizcaya Argentaria	Government	30-Nov-01	3.23000	31-Jan-09	7.84
Banco Bilbao Vizcaya Argentaria	Government	30-Nov-01	LIBOR + 3.75	31-Jan-06	1.37
Banco Bilbao Vizcaya Argentaria	Government	27-Sep-02	EURIBOR + 0.65	30-Sep-06	3.35
Banco Bilbao Vizcaya Argentaria (a. ARGENTARIA)	Government	23-Oct-99	LIBOR + 3.50	07-Oct-03	0.03
Banco Español de Crédito, S. A.	Government	30-Nov-01	LIBOR + 3.75	31-Jan-05	0.46
Banco Santander Central Hispano (previously RIOGERSA, S.A.)	Government	23-Jul-04	0.00000	10-Jul-05	10.55
Bancolombia Panama	Government	25-Mar-02	9.34000	25-Sep-03	0.80
Bancolombia Panama (previously R.O. & G. International)	Government	09-Feb-04	LIBOR + 2.00	20-May-05	0.32
Bank Leumi Le-Israel	Government	12-Feb-02	LIBOR + 1.25	25-Jun-06	15.28
Bank Leumi Le-Israel	Government	28-Aug-03	LIBOR + 1.75	28-Jan-09	0.12
BNP Paribas	Government	08-Jan-02	LIBOR + 3.50	16-Jul-05	5.52
Citibank, N.A.	Central Bank	14-Feb-94	LIBOR + 0.8125	30-Aug-09	93.13
Citibank, N.A.	Central Bank	14-Feb-94	LIBOR + 0.8125	30-Aug-09	1.90
Citibank, N.A.	Banco de Reservas	14-Feb-94	LIBOR + 0.8125	30-Aug-09	0.24
Citibank, N.A.	ROSARIO D.	14-Feb-94	LIBOR + 0.8125	30-Aug-09	3.58
Citibank, N.A.	Central Bank	14-Feb-94	LIBOR + 0.8125	30-Aug-24	309.26
Citibank, N.A.	Central Bank	14-Feb-94	LIBOR + 0.8125	30-Aug-24	6.40
Citibank, N.A.	Banco de Reservas	14-Feb-94	LIBOR + 0.8125	30-Aug-24	0.82
Citibank, N.A.	ROSARIO D.	14-Feb-94	LIBOR + 0.8125	30-Aug-24	12.08
Citibank, N.A.	Government	25-May-01	LIBOR + 4.50	10-May-04	*
Cobranzas	Central Bank	n.a.	n.a.	n.a.	0.19
Deutsche Bank, S.N.	Government	10-Oct-03	EURIBOR + 3.75	22-Aug-09	0.50
Deutsche Bank, S.N.	Government	08-May-01	5.35000	28-Aug-06	23.67
Deutsche Bank, S.N.	Government	28-Feb-01	LIBOR + 3.50	18-Feb-06	1.30
Deutsche Bank, S.N.	Government	28-Feb-01	4.45000	20-Dec-06	3.00
Deutsche Bank, S.N.	Government	28-Feb-01	LIBOR + 3.50	22-Dec-03	0.00
Deutsche Bank, S.N.	Government	28-Feb-01	4.45000	20-Dec-06	7.26
Deutsche Bank, S.N.	Government	28-Feb-01	LIBOR + 3.50	22-Dec-03	*
Deutsche Bank, S.N.	Government	28-Feb-01	LIBOR + 3.50	31-Jan-06	0.01
Deutsche Bank, S.N.	Government	28-Feb-01	LIBOR + 3.50	05-Mar-04	0.01
Deutsche Bank, S.N.	Government	28-Feb-01	3.32000	20-Mar-08	20.12

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
Deutsche Bank, S.N.	Government	28-Feb-01	LIBOR + 3.50	22-Mar-04	*
Deutsche Bank, S.N.	Government	28-Feb-01	LIBOR + 3.50	24-May-04	*
Fortis Bank, N.V.	Government	13-Dec-01	LIBOR + 3.75	30-Dec-05	5.07
Fortis Bank, N.V.	Government	10-Dec-03	LIBOR + 3.75	30-Dec-07	1.84
Fortis Bank, N.V.	Government	13-Jul-01	LIBOR + 1.00	25-Feb-07	8.56
Fortis Bank, N.V.	Government	n.a.	CIRR	13-Jun-09	4.01
Fortis Bank, N.V.	Government	03-Oct-03	LIBOR + 3.50	13-Jun-06	0.71
Giros y Transferencias	Central Bank	n.a.	n.a.	n.a.	0.08
HSBC Bank, PLC	Government	13-Jan-03	LIBOR + 3.75	n.a.	0.44
HSBC Bank, PLC	Government	06-Mar-03	LIBOR + 3.50	06-Feb-08	13.94
HSBC Bank, PLC	Government	18-Mar-03	LIBOR + 3.50	20-Mar-08	20.58
HSBC Bank, PLC	Government	01-Oct-03	LIBOR + 3.50	01-Dec-08	0.19
ING Bank, N.V.	Government	27-Dec-01	LIBOR + 2.95	28-Oct-07	4.29
ING Bank, N.V.	Government	31-Dec-02	2.20000	15-Sep-07	7.96
Dresdner Bank Lateinoamerika	Central Bank	15-Sep-00	LIBOR + 0.75	09-Jan-03	*
BLADEX, Panamá	Banco de Reservas	11-Dec-86	LIBOR + 1.25	25-Nov-03	*
Wachovia Bank (previously First Union National Bank)	Central Bank	23-Sep-93	LIBOR + 0.40	15-Dec-03	*
Natexis Banque	Banco de Reservas	16-Sep-03	LIBOR + 1.25	14-Nov-03	*
J.P. Morgan Chase Bank	Government	27-Sep-01	9.50000	27-Sep-06	523.75
J.P. Morgan Chase Bank	Government	16-Jan-03	9.04000	23-Jan-13	600.00
Kexim Bank (UK Limited)	Government	20-Jun-02	LIBOR + 2.95	02-Dec-07	3.90
Kookmin Bank	Government	23-Jan-03	LIBOR + 2.75	28-May-04	0.01
Sanpaolo Bank Ireland Plc.	Government	13-Aug-99	LIBOR	31-Mar-08	0.91
Societe Generale	Government	10-Dec-03	LIBOR + 3.75	30-Dec-07	1.72
Societe Generale	CDEEE	20-Feb-01	LIBOR + 2.00	20-Jun-05	0.35
The Bank of Nova Scotia	Government	04-Oct-00	LIBOR + 2.00	20-Nov-06	0.48
The Bank of Nova Scotia	Government	06-Feb-03	LIBOR + 1.00	12-Nov-07	7.08
The Export-Import Bank of Korea	Government	20-Jun-02	4.56000	02-Dec-07	22.02
The International Bank of Miami	Government	31-Jul-02	LIBOR + 1.75	30-Sep-04	*
The International Bank of Miami (previously CARIMEX)	Government	31-Jul-02	LIBOR + 1.75	19-Feb-05	1.31
Union Planters Bank, N.A.	Government	25-Feb-02	LIBOR + 2.00	06-Nov-05	1.79
TOTAL COMMERCIAL BANKS					1,929.56

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of September 30, 2004
SUPPLIERS					
Alfa Laval	CFI	01-Dec-65	n.a.	n.a.	0.08[3]
Asea Browns Boveri	CDEEE	03-Nov-80	0.00000	31-Dec-89	1.04[6]
Atmospherics Incorporated	CDEEE	27-Jan-84	0.00000	30-Dec-86	0.06[6]
Burns & Roe Enterprise	CDEEE	14-Feb-84	0.00000	31-Dec-89	0.56[6]
Carimex, Inc.	Government	01-Oct-02	LIBOR + 1.75	31-Oct-04	*
Carimex, Inc.	Government	21-Jul-03	LIBOR + 1.75	31-Jul-05	*
Cobranzas	Central Bank	n.a.	n.a.	n.a.	*
Giros y Transferencias	Central Bank	n.a.	n.a.	n.a.	*
Geolidro, S.p.A.	CDEEE	29-Mar-84	14.50000	31-Dec-88	*
Caterpillar Financial Services Corporation	Government	18-Sep-01	LIBOR + 3.50	20-Sep-06	3.58
Child Safe Products, Inc.	Government	01-Aug-02	LIBOR + 1.85	30-Mar-12	7.98
Credit Agricole	CEA	31-Mar-00	PRIME + 2.00	n.a.	1.28
EMB Group, INC	Government	15-Apr-02	LIBOR + 1.45	20-Jul-06	3.18
Fiat Marelli, SPA	CDEEE	30-Jul-80	7.75000	07-Nov-85	0.31[6]
Fiat TTG	CDEEE	18-Aug-83	10.00000	30-Apr-87	8.82[6]
Harza Engineering Co. Intl.	CDEEE	23-Sep-85	n.a.	31-Dec-89	0.98[6]
Hewlett Packard	Government	30-Sep-99	7.75000	29-Sep-04	0.77
Hyundai American Corporation	Government	27-Dec-01	5.00000	21-Apr-07	0.37
Hyundai Service Industries, LTD.	Government	23-Jan-03	0.00000	15-Apr-04	*
R. O. & G. International	Government	04-Oct-00	LIBOR + 2.00	15-May-06	*
Sun Land & RGITC CO. (previously R. O. & G. International)	Government	07-Dec-01	LIBOR + 0.50	03-Jun-07	5.05
Sund Land & RGITC CO.	Government	28-May-03	LIBOR + 1.00	28-Nov-08	16.28
Suplidores Brasileños (CACEX)	Government	11-May-84	12.00000	n.a.	0.21[6]
Systems Control Inc	CDEEE	27-Nov-80	PRIME + 8.55	31-Dec-09	0.30[6]
Unión Fenosa - DIDOEL	Government	10-Sep-03	12.00000	30-Sep-15	340.54
TOTAL SUPLIERS					391.39
TOTAL					**6,490.35**

(1) Currencies different from U.S. dollars were calculated at a rate published by the International Monetary Fund on September 30, 2004.

(2) The cancellation is done at the dates determined by the Executive Directory of the Inter-American Development Bank.
(3) Cancellation of debt depends on reconciliation of accounts between the borrower and lender.
(4) This debt was cancelled by the International Development Agency.
(5) Debts that are in litigation or negotiation by the CDEEE.
* Represents less than US$0.01 million.

BNV	=	*Banco Nacional de la Vivienda* (National Housing Bank)
CDEEE	=	*Corporación Dominicana de Electricidad* (Dominican Electricity Corporation)
CEA	=	*Consejo Estatal del Azúcar* (National Sugar Board)
CFI	=	*Corporación de Fomento Industrial* (Industrial Development Corporation)
CIRR	=	Commercial Interest Reference Rate, as used by the Organization for Economic Cooperation and Development
EURIBOR	=	*Tasa Ofertada por el Mercado Interbancario del Euro* (Euro Inter-Bank Offered Rate)
FUNDAPEC	=	*Fundación APEC de Crédito Educativo* (APEC Educational Credit Foundation)
INDRHI	=	*Instituto Nacional de Recursos Hidráulicos* (National Hydraulics Resource Institute)
INTEC	=	*Instituto Tecnológico de Santo Domingo* (Santo Domingo Technological Institute)
LIBOR	=	London Inter-Bank Offered Rate
n.a.	=	Not Available
PUCMM	=	*Pontificia Universidad Católica Madre y Maestra*
ROSARIO D.	=	*Rosario Dominicana*

Source: Ministry of Finance, Public Credit Department and Central Bank, International Department.

Form of Letter of Transmittal

You only need to send the exchange agent the signature annex attached to this letter of transmittal.

If you require assistance, please contact the information agent or the dealer managers at the addresses and telephone numbers set forth on the final page of this letter of transmittal. In addition, if you are in Luxembourg, you may contact the Luxembourg exchange agent at (352) 2634-771.

No beneficial owner of Existing Bonds may receive or review this letter of transmittal or participate in the Offer unless it is a "qualified person," meaning (A) it has previously completed and returned to the Republic or the information agent for the Offer a letter of eligibility in the form the Republic has previously distributed and (B) it is an "eligible holder" as defined in the Offering Memorandum.

LETTER OF TRANSMITTAL

The Dominican Republic

April 20, 2005

OFFER TO EXCHANGE

9.50% AMORTIZING BONDS DUE 2011 FOR ALL OUTSTANDING 9.50% BONDS DUE 2006 **CUSIP Nos. 25714PAA6 and P3579EAA5** **ISIN Nos. US25714PAA66 and USP3579EAA57**	**AND**	**9.04% AMORTIZING BONDS DUE 2018 FOR ALL OUTSTANDING 9.04% BONDS DUE 2013** **CUSIP Nos. 25714PAC2 and P3579EAB3** **ISIN Nos. US25714PAC23 and USP3579EAB31**

AND

SOLICITATION OF CONSENTS TO AMENDMENTS OF OUTSTANDING BONDS AND FISCAL AGENCY AGREEMENTS

pursuant to the Offering Memorandum dated April 20, 2005 (the "Offering Memorandum")

The Expiration Date is 4:15 P.M., New York City time, on May 4, 2005, unless extended.

Electronic submission of this letter of transmittal other than as set forth in the Offering Memorandum will not constitute valid delivery. Please send only one copy of each letter of transmittal. Please do not send confirmation copies of any letter of transmittal by the same or different means.

Tenders may be made only by direct participants in DTC, Euroclear and Clearstream. If you are not a direct participant, you must direct the custodial entity that holds your Existing Bonds to act on your behalf.

Any services in connection with the Offer may be performed in Luxembourg, at the offices of the Luxembourg exchange agent, where all information and documentation in connection with the Offer, including the Offer Materials, will be available free of charge.

This letter of transmittal and the Existing Bonds submitted for tender SHOULD NOT be sent to the Republic nor to the Dealer Managers, or any other person that is affiliated with the Republic or the Dealer Managers.

Please submit your letter of transmittal and surrender the Existing Bonds to the Designated Clearing Systems or to the exchange agent, as applicable. All documents should be submitted to the exchange agent (or the Luxembourg exchange agent, if you are in Luxembourg). For more information concerning the procedures you should follow, please refer to "Terms of the Offer" in the Offering Memorandum.

Terms defined in the Offering Memorandum and used but not otherwise defined in this letter of transmittal have the meanings provided to them in the Offering Memorandum.

Ladies and Gentlemen:

The undersigned hereby acknowledges that it has received and reviewed The Dominican Republic's Offering Memorandum dated April 20, 2005 (the "Offering Memorandum"), and, this letter of transmittal, relating to (i) the offer by the Dominican Republic (the "Republic") to exchange its Exchange Bonds for its Existing Bonds and (ii) related consents to approve amendments to the Existing Bonds and the related fiscal agency agreements.

The undersigned (1) certifies that it is the beneficial owner, or has been authorized to take the actions provided for herein by the beneficial owners, of the aggregate principal amount of Existing Bonds of the series specified in this letter of transmittal and (2) hereby tenders to the Republic the principal amount of Existing Bonds indicated below to be exchanged for the Exchange Bonds as indicated below, in accordance with the terms and conditions described in the Offering Memorandum and this letter of transmittal. The undersigned understands that validly tendered Existing Bonds (or defectively tendered Existing Bonds with respect to which defect the Republic has, or has caused to be, waived) will be deemed to have been accepted by the Republic if, as and when the Republic gives oral (promptly confirmed in writing) or written notice thereof to the exchange agent. The undersigned understands that, subject to the terms and conditions in the Offering Memorandum, Existing Bonds properly tendered and accepted in accordance with such terms and conditions will be exchanged for Exchange Bonds. The undersigned understands that, under certain circumstances, the Republic may not be required to accept any of the Existing Bonds tendered (including any such Existing Bonds tendered after the Expiration Date). If any Existing Bonds are not accepted for exchange for any reason, no Exchange Bonds will be issued in respect thereof, no consideration will be paid in respect thereof, and such unexchanged Existing Bonds will be returned without expense to the undersigned.

The undersigned hereby represents and warrants that the undersigned has full power and authority to surrender the Existing Bonds and give the consents and representations contained herein. The undersigned will, upon request, execute and deliver any additional documents deemed by the exchange agent or the Republic to be necessary or desirable to perfect such consents. All questions as to the form of all documents and the validity (including time of receipt) and acceptance of this letter of transmittal will be determined by the Republic, in its sole discretion, which determination shall be final and binding.

No authority conferred or agreed to be conferred by this letter of transmittal shall be affected by, and all such authority shall survive, the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the undersigned.

The undersigned understands that the approval to execute the exit consent amendments provided in this letter of transmittal shall remain in full force and effect until and unless and to the extent that the related approval is withdrawn in accordance with the procedures set forth in the Offering Memorandum and this letter of transmittal. **A valid withdrawal of tendered Existing Bonds shall be deemed a valid revocation of the related consent. A holder may not validly revoke its consent unless such holder validly withdraws such holder's previously tendered Existing Bonds.**

By tendering Existing Bonds in the Offer and executing this letter of transmittal, but subject to acceptance of Existing Bonds by the Republic for exchange, the holder and the beneficial owner of those Existing Bonds will be deemed, among other things, to irrevocably (following the termination of withdrawal rights) and unconditionally:

(1) accept the Offer in respect of the aggregate principal amount of Existing Bonds tendered in its letter of transmittal, subject to the terms and conditions of the Offer as set forth in the Offering Memorandum;

(2) sell, assign and transfer to or upon the order of the Republic or its nominee, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of such holder's status as a holder of, all Existing Bonds tendered, such that thereafter it shall have no contractual or other rights or claims in law or equity against the Republic or any fiduciary, trustee, fiscal agent or other person connected with the Existing Bonds arising under, from or in connection with such Existing Bonds;

(3) waive any and all rights with respect to all Existing Bonds tendered (including, without limitation, any existing, past or continuing defaults and their consequences in respect of such Existing Bonds);

(4) release and discharge the Republic and its affiliates and the fiscal agent in respect of the Existing Bonds and the trustee for the Exchange Bonds and any of their agents, officials, officers, employees or advisors, from any and all claims such holder may have, now or in the future, arising out of or related to all Existing Bonds tendered, including, without limitation, any claims that such holder is entitled to receive accrued interest or any other payment with respect to Existing Bonds tendered (other than as expressly provided for in the Offering Memorandum and this letter of transmittal);

(5) constitute and appoint the exchange agent as its true and lawful agent and attorney-in-fact (with full knowledge that the exchange agent also acts as agent of the Republic) with respect to all Existing Bonds tendered, with full power of substitution, to (a) present such Existing Bonds and all evidences of transfer and authenticity to the Republic, or upon the Republic's order, (b) present such Existing Bonds for transfer of ownership on the books of the Republic, (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Existing Bonds and (d) receive on behalf of such holder and beneficial owner the Exchange Bonds issued in exchange for Existing Bonds;

(6) constitute and appoint the exchange agent as its true and lawful agent and attorney-in-fact, and provide an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) deemed necessary in the opinion of such attorney and agent in relation to Existing Bonds tendered thereby in favor of the Republic or such other person or persons as we may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's opinion and/or the certificate(s) and other document(s) of title relating to such Existing Bonds' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer, and to vest in the Republic or its nominees such Existing Bonds;

(7) vote in favor of the proposal to approve and otherwise consent to the proposed exit consent amendments to the Existing Bonds of the series tendered and the fiscal agency agreement under which that series of Existing Bonds was issued; and

(8) take all actions desirable to cause (a) certification that the requisite votes or consents to approve the proposed amendments to the Existing Bonds have been received and (b) the execution and delivery by the Republic and the fiscal agent of an amendment or amendments to the Existing Bonds and the fiscal agency agreements pursuant to which the Existing Bonds were issued that implements the proposed exit consent amendments with respect to such Existing Bonds.

The undersigned acknowledges that the Exchange Bonds offered in the Offer have not been registered under the U.S. Securities Act of 1933 or under the laws of any other jurisdiction and are not being offered to any person unless that person has previously completed and returned to the Republic a letter of eligibility in the form previously distributed and is an "eligible holder" (as defined in the Offering Memorandum).

The undersigned hereby:

(1) if the undersigned's Existing Bonds are held through an account at DTC, represents that it has delivered instructions to DTC by transferring the Existing Bonds to the exchange agent's account at DTC through DTC's ATOP system;

(2) if the undersigned's Existing Bonds are held through an account at Euroclear or Clearstream, represents that it has delivered appropriate instructions to Euroclear or Clearstream, as the case may be, by encrypted electronic mail in accordance with their normal procedures, with respect to the Existing Bonds specified herein;

(3) further authorizes the exchange agent, DTC, Euroclear or Clearstream, as the case may be, to take those actions specified in the Offering Memorandum and in instructions contained therein, with respect to the Existing Bonds specified herein; and

(4) further authorizes the exchange agent to instruct DTC, Euroclear or Clearstream, as the case may be, as to the aggregate principal amount of the Existing Bonds that shall have been accepted for exchange by the Republic;

in each case, as required under "Terms of the Offer" in the Offering Memorandum.

Each holder of Existing Bonds, or the beneficial owner of such Existing Bonds on behalf of which the holder has tendered, hereby acknowledges, represents, warrants and agrees that:

(1) it has received and reviewed the Offering Memorandum in its entirety;

(2) it is, and will remain through Settlement Date, an eligible holder, as defined in "Terms of the Offer—Offering Restrictions" in the Offering Memorandum;

(3) it is the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, all Existing Bonds tendered by it and it has full power and authority to submit this letter of transmittal, and has full power and authority to tender, sell, assign and transfer Existing Bonds tendered by it;

(4) all Existing Bonds being tendered by it were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and acknowledges that we will acquire good, indefeasible and unencumbered title to such Existing Bonds, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same;

(5) it will not sell, pledge, hypothecate or otherwise encumber or transfer any Existing Bonds tendered from the date of this letter of transmittal and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;

(6) in evaluating the Offer and in making its decision whether to participate therein by submitting a letter of transmittal and tendering its Existing Bonds, it has made its own independent appraisal of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to such holder by the Republic or the dealer managers other than those contained in the Offering Memorandum (as supplemented to the Expiration Date);

(7) the delivery of this letter of transmittal shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in the Offering Memorandum;

(8) the terms and conditions of the Offer shall be deemed to be incorporated in, and form a part of, this letter of transmittal which shall be read and construed accordingly; and

(9) the Republic, the dealer managers, the exchange agent, the Luxembourg exchange agent and other persons will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements, and if any of the acknowledgements, representations, warranties and agreements deemed to have been made by it by its acquisition of the Exchange Bonds are no longer accurate, it will promptly notify the Republic and withdraw its tender of Existing Bonds.

The representations and warranties and agreements of a holder tendering Existing Bonds shall be deemed to be repeated and reconfirmed on and as of the Expiration Date and the Settlement Date for the Offer.

For purposes of the Offering Memorandum and this letter of transmittal, the "beneficial owner" of any Existing Bonds shall mean any holder that exercises sole investment discretion with respect to such Existing Bonds.

For purposes of the Offer, the Republic will be deemed to have accepted for exchange, and to have exchanged, validly tendered Existing Bonds if, as and when the Republic gives oral (promptly confirmed in writing) or written notice thereof to the exchange agent. The undersigned acknowledges that the Republic's acceptance of Existing Bonds validly tendered for exchange pursuant to any one of the procedures described under "Terms of the Offer" in the Offering Memorandum and herein will constitute a binding agreement between the undersigned and the Republic upon the terms and subject to the conditions of the Offer.

Each letter of transmittal submitted in a jurisdiction in which the Offer is being extended on the basis of the Offering Memorandum shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. By submitting a letter of transmittal, you (and the direct participant on your behalf) irrevocably and unconditionally agree for the benefit of the Republic, the dealer managers, the information agent, the Luxembourg exchange agent and the exchange agent that the New York state or U.S. federal courts sitting in the Borough of Manhattan, The City of New York, are to have jurisdiction to settle any disputes which may arise out of or in connection with the Offer or any of the documents referred to in the Offering Memorandum and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

INSTRUCTIONS

Forming part of the Terms and Conditions of the Offer

1. *Delivery of letter of transmittal and Existing Bonds*. This letter of transmittal may only be submitted with respect to Existing Bonds held through DTC, Euroclear or Clearstream. A properly completed and duly executed letter of transmittal and any other documents required by this letter of transmittal, must be received by the exchange agent electronically through, in the case of DTC, DTC's ATOP system, and, in the case of Euroclear or Clearstream, by Euroclear or Clearstream as described in the Offering Memorandum, or by the Luxembourg exchange agent by courier or hand delivery, prior to or at 4:15 P.M., New York City time, on the Expiration Date. The Designated Clearing Systems must receive instructions in accordance with any deadlines established by DTC, Euroclear or Clearstream. **Delivery of documents to DTC, Euroclear or Clearstream or any securities intermediary does not constitute delivery to the exchange agent or the Luxembourg exchange agent.**

The method of delivery of this letter of transmittal, the Existing Bonds and all other required documents, including delivery through the Designated Clearing Systems, is at the option and risk of the holder and delivery will be deemed made only when actually received by the exchange agent or the Luxembourg exchange agent.

No alternative, conditional or contingent exchange offers will be accepted. All participating holders, by execution of this letter of transmittal, waive any right to receive any notice of the acceptance of their submission.

2. *Signatures on letter of transmittal*. The signature on this letter of transmittal, whether by a direct participant in a Designated Clearing System, a beneficial owner or a custodian or other representative, must correspond with the name shown in the corresponding instructions relating to the Existing Bonds.

If this letter of transmittal is signed by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Republic of such person's authority to so act must be submitted.

The term "instructions" as used herein means:

- with respect to Existing Bonds held through DTC, a submission of Existing Bonds delivered through DTC's ATOP system;
- with respect to Existing Bonds held through Euroclear or Clearstream, irrevocable instructions to:
  - Ø block any attempt to transfer your Existing Bonds on or prior to the Settlement Date; and
  - Ø debit your account on or before the Settlement Date in respect of all your Existing Bonds, or in respect of such lesser portion of your Existing Bonds that is accepted for exchange by the Republic, upon receipt of an instruction by the exchange agent to receive your Existing Bonds for the Republic;

subject, in each case, to the automatic withdrawal of the irrevocable instructions in the event that the Offer is terminated by the Republic prior to the Expiration Date and subject to the other conditions in the Offer, in each case as notified to DTC, Euroclear or Clearstream, by the exchange agent on or before the Settlement Date; and

- with respect to Existing Bonds held through any of DTC, Euroclear or Clearstream,
  - Ø an irrevocable authorization to disclose the name of the direct account holder and information about the foregoing instructions; and

Ø a confirmation that the direct participant, custodian or beneficial owner is concurrently delivering a letter of transmittal submitting an offer with respect to your Existing Bonds.

Instructions can only be delivered by direct participants in the Designated Clearing Systems.

3. *U.S. persons*. For reference in checking the box on the second page of the Signature Annex hereto, the term "U.S. person," as used in this letter of transmittal, means:

- any natural person resident in the United States;
- any partnership or corporation organized or incorporated under the laws of the United States;
- any estate of which any executor or administrator is a U.S. person;
- any trust of which any trustee is a U.S. person;
- any agency or branch of a foreign entity located in the United States;
- any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
- any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or (if an individual) resident in the United States; or
- any partnership or corporation if (a) organized or incorporated under the laws of any foreign jurisdiction, and (b) formed by a U.S. person principally for the purpose of investing in securities not registered under the U.S. Securities Act of 1933, as amended, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the Securities Act) who are not natural persons, estates or trusts.

For purposes of the foregoing definition, "United States" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

4. *Requests for Assistance or Additional Copies*. Any questions or requests for assistance or additional copies of the Offering Memorandum or this letter of transmittal may be directed to the information agent or the dealer managers at the addresses and telephone numbers set forth on the final page of this letter of transmittal. A holder may also contact such holder's broker, dealer, commercial bank or trust company or nominee for assistance concerning the Offer. In addition, if you are in Luxembourg, you may contact the Luxembourg exchange agent at (352) 2634-771 for assistance.

IMPORTANT: This letter of transmittal and all other required documents, must be received by the exchange agent or the Luxembourg exchange agent on or prior to the Expiration Date.

IMPORTANT: Please ensure that you submit only one letter of transmittal with respect to your Existing Bonds.

SIGNATURE ANNEX (page 1 of 2)

The Dominican Republic

Exchange Offer and Consent to Amendments of Outstanding Bonds and Fiscal Agency Agreements

1. The direct participant in DTC, Euroclear or Clearstream signing this Signature Annex is:

   Clearing System: DTC £ Euroclear £ Clearstream £

   Name of Institution: ______________________________

   Direct Participant Account Number: ______________________________

   Contact Person: ______________________________

   Address: ______________________________

   Telephone (with international dialing code): ______________________________

   E-mail address (please print): ______________________________

2. The undersigned, by signing and delivering this signature annex, shall be deemed to give approval to the exit consent amendments to the 2006 and/or the 2013 Bonds, as applicable, which are described under "Terms of the Offer" in the Offering Memorandum.

	CUSIP or ISIN Number	Principal Amount Tendered (US$)	Beneficial Owner Name or Account Number
1.			
2.			
3.			

If the space above is inadequate, you may attach additional signed schedules to be part of this letter of transmittal by photocopying a blank copy of this page.

SIGNATURE ANNEX (page 2 of 2)

The Dominican Republic

Exchange Offer and Consent to Amendments of Outstanding Bonds and Fiscal Agency Agreements

3. The undersigned hereby makes all acknowledgments, representations, warranties, agreements, authorizations and consents described in the letter of transmittal to which the Signature Annex relates and, if the undersigned is a corporation, executes this document as an attorney-in-fact or duly authorized officer of such corporation.

Signature of Authorized Signatory: ___________________________________

Name of Authorized Signatory: ______________________________________

Capacity (Full Title): _____________________ Date:_______________ , 2005

Telephone Number (with country code): ________________________________

¨ Check here if the beneficial owner(s) of the Existing Bonds specified herein is or are U.S. person(s) as defined in the instructions hereto.

¨ Check here if the beneficial owner(s) of the Existing Bonds specified herein is or are person(s) resident in Italy.

The person or entity signing this signature annex must (a) deliver instructions to DTC, Euroclear or Clearstream, as the case may be, in accordance with the deadlines specified by DTC, Euroclear or Clearstream; and (b) ensure that instructions can be allocated to the offer made hereby. Instructions with respect to the Existing Bonds must cover the entire aggregate principal amount of Existing Bonds in this letter of transmittal.

THE EXCHANGE AGENT FOR THE OFFER

The Bank of New York
101 Barclay Street
Floor 7 East
New York, New York 10286
Telephone: (212) 815-3750
Attention: Corporate Trust Operations
Reorganization Unit

THE LUXEMBOURG EXCHANGE AGENT FOR THE OFFER

The Bank of New York (Luxembourg) S.A.
Aerogolf Center
1A Hoehenhof
L-1736 Senningerberg
Luxembourg
Telephone: (352) 2634-771

THE INFORMATION AGENT FOR THE OFFER

D.F. King & Co., Inc.
48 Wall Street
22nd Floor
New York, New York 10005
U.S. Toll Free: (800) 758-5378
Call Collect: +1 (212) 269-5550

THE DEALER MANAGERS FOR THE OFFER ARE:

Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036
U.S. Toll Free: (800) 624-1808
Call Collect: +1 (212) 761-1908
Attention: Andrea Dorfzaun, Global Capital Markets

Morgan Stanley & Co. International Limited
20 Cabot Square
Canary Wharf
London E14 4QW
United Kingdom
Call Collect: + 44 (20) 7677 5076
Attention: Jean-Marc Jabre

UBS Securities LLC
677 Washington Blvd.
Stamford, CT 06901
U.S. Toll Free: (888) 722-9555 x4210
Call Collect: +1 (203) 719-4210
Attention: Liability Management Group

UBS Limited
100 Liverpool Street
London EC2M 2RH
United Kingdom
Call Collect: + 44 (20) 7568 3118
Attention: Liability Management Group

ISSUER

The Dominican Republic
Ministry of Finance
Av. México No. 45
Santo Domingo
República Dominicana

TRUSTEE, PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

The Bank of New York
101 Barclay Street
Floor 21 West
New York, New York 10286
Attention: Global Finance Unit

LUXEMBOURG PAYING AGENT AND TRANSFER AGENT

The Bank of New York (Luxembourg) S.A.
Aerogolf Center,
1A Hoehenhof
L-1736 Senningerberg
Luxembourg

LEGAL ADVISORS TO THE DOMINICAN REPUBLIC

As to U.S. federal and New York law
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One Liberty Plaza
New York, New York 10006
United States

As to Dominican law
Consultor Juridico del Poder Ejecutivo
Av. México esq. Dr. Delgado
2do Piso, Palacio Nacional
Santo Domingo
República Dominicana

LEGAL ADVISORS TO THE DEALER MANAGERS

As to U.S. federal and New York law
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425 Lexington Avenue
New York, New York 10017
United States

As to Dominican law
Pellerano & Herrera
Av. John F. Kennedy No. 10
Santo Domingo
República Dominicana

LUXEMBOURG LISTING AGENT

Kredietbank S.A. Luxembourgeoise
43, Boulevard Royal
L-2955 Luxembourg

THE EXCHANGE AGENT FOR THE OFFER

The Bank of New York
101 Barclay Street
Floor 7 East
New York, New York 10286
Telephone: (212) 815-3750
Attention: Corporate Trust Operations
Reorganization Unit

THE LUXEMBOURG EXCHANGE AGENT FOR THE OFFER

The Bank of New York (Luxembourg) S.A.
Aerogolf Center
1A Hoehenhof
L-1736 Senningerberg
Luxembourg
Telephone: (352) 2634-771

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Attention: Andrea Dorfzaun, Global Capital Markets

Morgan Stanley & Co. International Limited
20 Cabot Square
Canary Wharf
London E14 4QW
United Kingdom
Call Collect: +44 (20) 7677 5076
Attention: Jean-Marc Jabre

UBS Securities LLC
677 Washington Blvd.
Stamford, CT 06901
U.S. Toll Free: (888) 722-9555 x4210
Call Collect: +1 (203) 719-4210
Attention: Liability Management Group

UBS Limited
100 Liverpool Street
London EC2M 2RH
United Kingdom
Call Collect: +44 (20) 7568 3118
Attention: Liability Management Group